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June 13, 2012

VIA FEDERAL EXPRESS

Michael A. Mintzer
Assistant Regional Counsel
New York/Caribbean Superfund Branch
Office of Regional Counsel
U.S. Environmental Protection Agency, Region II
290 Broadway, 17th Floor
New York, NY 10007

Re: Response to EPA Region II's Request for Information
Newtown Creek Superfund Site, Kings County and Queens County, NY

Dear Mr. Mintzer:

This letter is submitted on behalf of Honeywell International Inc. ("Honeywell") in response to the U.S. Environmental Protection Agency ("EPA") Region 2's letter of December 21, 2011 requesting information and documents relating to the Newtown Creek Superfund Site in Kings County and Queens County, New York ("Request").

Honeywell makes the following objections and general points with respect to this Request:

A. Honeywell generally objects to the Request to the extent that it seeks information or documents protected from discovery by the attorney-client privilege, the attorney work product doctrine, the joint defense or common interest privilege, the self-evaluative privilege, or any other applicable privilege or doctrine. Nothing contained in these objections or the responses below is intended as, or shall in anyway be deemed as, a waiver of privilege. Honeywell further objects to the Request to the extent that it seeks confidential or proprietary business information of Honeywell or settlement confidential information.

B. Honeywell generally objects to the Request to the extent that it seeks information and/or documents not in the possession, custody, or control of Honeywell.

C. Honeywell generally objects to the Request to the extent that it is overbroad, unduly burdensome, not calculated to lead to the discovery of admissible evidence or information necessary or useful to EPA's investigation, or beyond the authority provided in CERCLA 104(e), 42 U.S.C. § 9604(e).

D. Honeywell generally objects to the Request to the extent that it seeks information going back over 100 years. Honeywell has made a thorough and extensive search for information responsive to the Request, but employees who still have knowledge relevant to the Request were not available to Honeywell after so much time had passed. Additionally, Honeywell has conducted a thorough and extensive search for documents relevant to the Request, but only limited documents relevant to the Request remain in Honeywell's possession.

E. Honeywell generally objects to the Request to the extent that it seeks information which may be derived or ascertained from documents already within the knowledge, possession, or control of EPA.

F. This response reflects a thorough and extensive search of Honeywell's records, but no representation is made that all such records have been located and searched. Honeywell reserves the right to supplement this response in the event that it locates additional responsive non-privileged documents or information.

G. In certain instances below, where documents contain the information sought by the Request, Honeywell has directed the EPA to attached documents rather than providing answers in a narrative form.

Notwithstanding the foregoing objections, and preserving and without waiving them, Honeywell responds to the Request, incorporating each of the above objections, as follows:

Section 1.0 Company Information

1. **<u>Company Identification</u>: Provide the following information with respect to the Company.**

   a. **The full legal, corporate name and mailing address.**

Honeywell International Inc.
101 Columbia Road

Morristown, NJ 07962

b. The state and date of incorporation, the date of qualification to do business in the State of New York, and the agents for service of process in the state of incorporation and in New York State.

Honeywell International Inc. is a corporation organized under the laws of the State of Delaware, with a principal place of business at 101 Columbia Road, Morristown, New Jersey 07962. Honeywell International Inc. was created by merger of Honeywell, Inc. into AlliedSignal Inc. on November 24, 1999. Honeywell's agent for service of process in Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. Honeywell qualified to do business in the State of New York on October 21, 1986. Honeywell's registered agent for service in New York State is Corporation Service Company, 80 State Street, Albany, New York 12207.

c. The Chief Executive Officer or other presiding officer of the entity and the mailing address of that officer.

David M. Cote is Honeywell's Chairman and Chief Executive Officer. His mailing address is 101 Columbia Road, Morristown, New Jersey 07962.

d. If the Company is a successor by merger, acquisition or other activity to any other entity, identify each such entity and describe the nature of the succession.

Honeywell has a 125-year corporate history during which time it has merged with and acquired numerous entities. To the extent this question seeks an exhaustive list of all such mergers and acquisitions, it is overbroad, unduly burdensome, and not calculated to lead to the discovery of information necessary or useful to EPA's investigation. A description of Honeywell's relationship to entities alleged to have some relationship to the Facility is provided in subpart (f) below.

e. If the Company is a subsidiary, division, branch or affiliate of another corporation or other entity, identify each of those other entities and those entities' Chief Executive Officers or other presiding officers. Identify the state of incorporation and agents for service of process in

the state of incorporation and in New York State for each entity identified in your response to this question.

Honeywell has no parent entities.

f. **Describe in detail the Company's previous or current relationship and affiliation to the entities listed below (and identify all other corporate names, with dates of use, for each such entity). Provide copies of documentation of acquisition, disposition, merger, joint venture, license or lease and including, if applicable, public filings with SEC relating to such transactions. In connection with any agreements of purchase, sale or merger, include copies of pages relating to environmental matters including representations, warranties and indemnities:**

i. **The Laurel Hill Chemical Works**

ii. **G.H. Nichols & Company, Nichols Chemical Company, Nichols Chemical Works**

iii. **General Chemical Company**

iv. **Allied Chemical & Dye Corporation, Allied-Signal, Inc., AlliedSignal Inc. and Allied Corporation**

From a review of records in Honeywell's possession, it appears that General Chemical Company was organized in 1899 through the combination of 12 chemical companies, one of which was Nichols Chemical Company. (See Exhibits 1-2; please note that although Exhibit 2 was found in Honeywell's files, Honeywell personnel are not familiar with the document and cannot attest to the accuracy of the facts contained therein.) In 1920, the Allied Chemical and Dye Corporation was formed through a business combination of the General Chemical Company and four other chemical companies. General Chemical Company, along with the other four companies, merged into and became operating divisions of Allied Chemical and Dye Corporation in the late 1940s. In 1958, Allied Chemical and Dye Corporation changed its name to Allied Corporation. In 1985, Allied Corporation combined with the Signal Companies, Inc. to form Allied-Signal Inc. In 1999, Allied-Signal Inc. changed its name to AlliedSignal Inc.

In 1999, AlliedSignal Inc. merged with Honeywell Inc. and changed its name to Honeywell International Inc. (See Exhibit 1).

After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records pertaining to Honeywell's relationship to G.H. Nichols & Company or Nichols Chemical Works. Documents in Honeywell's possession reference a property known variously as the "General Chemical Company, Laurel Hill Works Research Laboratory" and the "General Chemical Company, Laurel Hill Research Laboratory." (See Exhibit 4). After conducting a thorough and extensive search, Honeywell has been unable to identify any additional information or documents in its records pertaining to Honeywell's relationship, if any, to The Laurel Hill Chemical Works.

2. **<u>Future EPA Communications</u>: If the addressee of this letter requests that future communications from EPA regarding the Site be sent to a particular individual or office, provide the name, address, telephone number, e-mail address and capacity of such individual or office.**

All correspondence with Honeywell related to the Newtown Creek site should be addressed to:

Thomas Byrne, Esq.
Chief Environmental Counsel
Honeywell International Inc.
101 Columbia Road
Morristown, New Jersey 07962
(973) 455-2775
Tom.Byrne@honeywell.com

with a copy to:

Jeremy Karpatkin, Esq.
Arnold & Porter LLP
555 12th Street NW
Washington, D.C. 20004
(202) 942-5564
Jeremy.Karpatkin@aporter.com

Section 2.0 Owner/Operator Information

3. **Separately provide a brief summary of the relationship to the Facility (see Definition number 9.a for "Facility") for the Company and each affiliate, and to each Other Newtown Creek Property (see Definition number 9.b for "Other Newtown Creek Property"), including:**

   a. **Nature of the interest in the Facility and each Other Newtown Creek Property;**

After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records regarding Honeywell's or its predecessors' relationship to the Facility. Honeywell has identified one property located at Laurel Hill in Long Island, New York that appears to meet the definition of "Other Newtown Creek Property" [hereinafter referred to as the "Laurel Hill Property"]. Documents in Honeywell's possession indicate that the Laurel Hill Property was leased by Allied Chemical and Dye Corporation to Phelps Dodge Refining Corporation on June 16, 1948, and was sold to Phelps Dodge in April 1954. (See Exhibit 3). Honeywell also has identified a property known variously as the General Chemical Company, Laurel Hill Works Research Laboratory and the General Chemical Company, Laurel Hill Research Laboratory located in Long Island, New York [hereinafter referred to as the "Research Laboratory"]. (See Exhibit 4). After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records pertaining to whether the Research Laboratory meets the definition of "Other Newtown Creek Property" or whether it is the same property as the Laurel Hill Property. However, assuming that the Research Laboratory does meet the definition of "Other Newtown Creek Property," after conducting a thorough and extensive search of its records, Honeywell has been unable to identify any additional information or documents pertaining to the Research Laboratory that are relevant to EPA's Request.

   b. **Corporate identity of any entity affiliated with the Company that holds or held such interest;**

Please see response to subpart (a)

   c. **Address, Borough, Block and Tax Lot Identification;**

Please see blueprint attached to lease agreement provided in Exhibit 3.

d. Map or schematic locating the Facility and each Other Newtown Creek Property;

Please see blueprint attached to lease agreement provided in Exhibit 3.

e. Dates of acquisition and date of disposition of interest and identity of transferor and transferee (and if not the owner, state the interest in the Facility and the identity of lessor, licensor or other person with paramount interest (e.g., property owner, prime leaseholder));

Please see response to subpart (a).

f. Dates of operation and date of cessation of operation for each affiliate of the Company identified in question 11, above;

Please see response to subpart (a).

g. The principal business and each other line of business conducted by the Company or affiliate at the Facility and at each Other Newtown Creek Property; and

After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records pertaining to the business or businesses conducted at the Facility or the Laurel Hill Property. Based on documents in Honeywell's possession, it appears that the property referred to above as the Research Laboratory was used for some period of time as a research laboratory. (See Exhibit 4). After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records pertaining to whether the Research Laboratory meets the definition of "Other Newtown Creek Property" or whether it is the same property as the Laurel Hill Property. However, assuming that the Research Laboratory does meet the definition of "Other Newtown Creek Property," after conducting a thorough and extensive search of its records, Honeywell has been unable to identify any additional information or documents pertaining to the Research Laboratory that are relevant to EPA's Request.

h. Provide a copy of all instruments evidencing the acquisition or conveyance of such interest (e.g., deeds, leases, licenses, purchase and sale agreements, partnership agreements, etc.).

A copy of the lease agreement for the Laurel Hill Property between Allied Chemical and Dye Corporation and Phelps Dodge Refining Corporation is attached. (See Exhibit 3).

4. **Identify all entities which concurrently with the Company exercise or exercised actual control or who held significant authority to control activities at the Facility, including:**

   a. **Lessees, sublessees, partners, joint venturers or holders of easements;**

   b. **Contractors, subcontractors, licensees or licensors that exercised control over any materials handling, storage, or disposal activity;**

   c. **Pipelines providing delivery of materials to, distribution within or shipment from the Facility; and**

   d. **Railroads or rail lines providing delivery of materials to or shipment from the Facility.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to control of the Facility.

5. **Identify all current or prior owners that you are aware of for the Facility. For each prior owner, further identify, if known, and provide copies of any documents you may have regarding:**

   a. **the dates of ownership and operations conducted at such times;**

   b. **any corporate or real estate affiliation between the Company and each such prior owner; and**

   c. **release of hazardous substances, industrial waste, other waste including petroleum, at the Facility during the period that the prior owners owned the Facility with such details as you are aware of.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to current or prior owners of the Facility.

6. **Identify all current or prior operators that you are aware of for the Facility. For each such operator, further identify, if known, and provide copies of any documents you may have regarding:**

   a. **the dates of operation and operations conducted at such times;**

   b. **any corporate or real estate affiliation between the Company and each such prior operator;**

   c. **the nature of the operations at such times; and**

   d. **any release of hazardous substances, industrial waste, or other waste including petroleum, at the Facility during the period that the prior operators were operating the Facility.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to current or prior operators of the Facility.

7. Civil Litigation, Administrative Enforcement and Criminal Matters:

   a. **Has the Company or an affiliate been a party to any litigation, whether as plaintiff or defendant, where an allegation included liability for contamination of or from the Facility or any other facility located within 1,000 feet of Newtown Creek (whether or not owned or operated by the Company)? If yes, identify such litigation and its disposition, briefly describe the nature of the Company's involvement in the litigation and provide a copy of the pleadings and any final order.**

Honeywell International Inc. was a defendant in *DMJ Associates, L.L.C. v. Carl A. Capasso et al.*, No. 1:97-cv-07285 (E.D.N.Y. 2005). That litigation involved allegations of liability for contamination of properties located at 37-30 through 37-32 Riverview Avenue, 37-98 Railroad Avenue, and 38-20 Railroad Avenue/Newtown Creek. (See Exhibit 5). The nature of Honeywell's involvement in the litigation and the litigation's disposition with respect to Honeywell are provided in Exhibits 5-6.

   b. **Has the Company or an affiliate been identified by EPA or by any New York State or New York City agency as a party responsible for**

environmental contamination with respect to the Facility or any other facility located within 1,000 feet of Newtown Creek (whether or not owned or operated by the Company)? If yes, state the Company's understanding of the basis for such notice of responsibility and provide a copy of any correspondence, orders or agreements between the Company and the governmental agency.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records related to this request.

c. **Has the Company or an employee, affiliate, contractor or agent ever been accused of any criminal violation relating to illegal disposal or any other environmental matter in connection with any activity or operation at the Facility? If so, describe the disposition of such accusation and provide details on such accusation.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records related to criminal violations in connection with any activity or operation at the Facility.

8. <u>Ownership of Newtown Creek</u>: At the present time or at any past time, has the Company or any affiliate:

a. **Owned any portion of Newtown Creek or wetlands associated with Newtown Creek?**

b. **Asserted control or exclusive rights to use any area of Newtown Creek or wetlands associated with Newtown Creek, for any purpose including, without limitation, dredging, filling, construction, maintenance or repair of any facility located in the waters, the associated wetlands or sediments, including, by way of example, bulkheads, rip rap, pipes, wharfs, piers, docking, loading or unloading facilities, cranes or over-water facilities?**

c. **If the answer to either subparagraph "a" or "b" of this paragraph is yes, please identify the areas owned or controlled, or over which the company has a right to use, provide an explanation of how and from whom the Company acquired such ownership or control, provide a**

copy of all title documents, leases, permits or other instruments where such right was derived, and describe all activities conducted pursuant thereto.

After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records pertaining to ownership or control of Newtown Creek by Honeywell or its affiliates.

9. **Operations In, Under or Over the Waters or On the Sediments of Newtown Creek:**

a. **Describe all activities at the Facility that were conducted over, on, under, or adjacent to, Newtown Creek. Include in your description whether the activity involved hazardous substances, industrial waste, petroleum or other waste materials and whether any materials were ever discharged, spilled, disposed of, dropped, or otherwise came to be located in Newtown Creek.**

b. **Has the Company, or any affiliate, at any time, constructed or operated any facility in or over the waters or on the sediments of Newtown Creek, including any bulkheads, rip-rap, pipes wharfs, piers, docking, loading or unloading facilities, containment booms, cranes or other on-water or over-water facilities?**

c. **Has the Company, or any affiliate, at any time constructed, operated or utilized any facility under the waters or sediments of Newtown Creek, including without limitation pipes, pipelines, or other underwater or under sediment facilities?**

d. **If the answer to subparagraph "b" or "c" of this paragraph is yes, please provide details including the facilities constructed or operated, the dates of such construction, replacement or major modification, whether there were discharges into the waters of Newtown Creek associated with construction or maintenance of such facilities, all permits associated with the construction or operation and the nature of the Company's authorization to construct or maintain such facilities in Newtown Creek including from whom the operating rights**

were obtained, and provide copies of relevant deeds, leases, licenses and permits.

e. **Provide a summary of over-water activities conducted at the Facility, including but not limited to, any material loading and unloading operations associated with vessels, materials handling and storage practices, ship berthing and anchoring, ship fueling, cleaning, maintenance, or repair.**

f. **Has the Company utilized barges, lighters, tankers or other vessels in any operations on Newtown Creek and, if so, provide details? With respect to vessel operations:**

   a. **Identify all products and raw materials transferred to or from barges, tanks and ships and the dates of such operations;**

   b. **Describe the method of transfer to and from barges or other ships during all periods of such activities;**

   c. **Identify the types of barges or ships utilized and the depth of the water where barges or ships were moored;**

   d. **Describe barge, tanker or other ship cleaning operations, if any, including the cleaning methods that were used, how cleaning waste was handled; and**

   e. **Describe spill prevention controls that were utilized in delivery or pick-up of materials.**

g. **State whether any of the operations required to be identified above resulted in disposal or spillage of any materials into Newtown Creek or the re-suspension of any sediments of Newtown Creek. If the answer is a "yes" please provide details and documentation of such events.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to operations in, under, or over the waters or on the sediments of Newtown Creek.

10. **Identify each Other Newtown Creek Property (see Definition number 9.b for "Other Newtown Creek Property") that the Company or any affiliate presently (or previously) owns (or owned), leases (or leased), manages (or managed), operates (or operated), controls (or controlled), or otherwise has or had rights to use, manage or operate, within the area extending one-thousand feet from the shoreline of Newtown Creek (definition number 1 above defines "Newtown Creek" to include all tributaries or branches of Newtown Creek).**

After conducting a thorough and extensive search, Honeywell has identified one property located at Laurel Hill in Long Island, New York that appears to meet the definition of "Other Newtown Creek Property" (the Laurel Hill Property). Documents in Honeywell's possession indicate that this property was leased by Allied Chemical and Dye Corporation to Phelps Dodge Refining Corporation on June 16, 1948, and was sold to Phelps Dodge in April 1954. (See Exhibit 3). Honeywell also has identified a property referred to above as the Research Laboratory that was located in Long Island, New York. (See Exhibit 4). After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records pertaining to whether the Research Laboratory meets the definition of "Other Newtown Creek Property" or whether it is the same property as the Laurel Hill Property. However, assuming that the Research Laboratory does meet the definition of "Other Newtown Creek Property," after conducting a thorough and extensive search of its records, Honeywell has been unable to identify any additional information or documents pertaining to the Research Laboratory that are relevant to EPA's Request.

Section 3.0 Description of the Facility

11. **Provide the following information for the Facility, including a description responsive to each question and depictions by map, drawing, survey or otherwise:**

    a. **Address and borough, block and lot (if the New York City address or tax lot denomination has changed, please provide, to the extent known, the address in effect at the time of ownership and operation as well as the modern address and tax lot identification);**

After conducting a thorough and extensive search, Honeywell has been unable to identify information or documents in its records related to the location of the Facility.

b. **historic photographs, including without limitation, aerial photographs, photographs showing construction, industrial or commercial processes, sanitary and storm sewer systems, outfalls, indoor and outdoor storage of materials or products, and photographs during construction;**

After conducting a thorough and extensive search, Honeywell has found a number of historical photographs in an envelope labeled "Laurel Hill." (See Exhibit 7). It is unclear from the records in Honeywell's possession whether these photographs are depictions of the Facility. By including these photographs in its response to this question, Honeywell does not admit that the photographs are in fact depictions of the Facility.

c. **all surveys and drawings of the Facility in your possession showing current configurations and improvements as well as previous configurations and improvements;**

After conducting a thorough and extensive search of its records, Honeywell has been unable to identify any surveys or drawings of the Facility.

d. **sanitary sewer system information, including drawings, sewer easements, surveys or maps showing location and configuration both as currently configured and previous configurations;**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to sanitary sewer systems at the Facility.

e. **storm water sewer system information, including drawings, surveys or maps showing location and configuration both as currently configured and previous configurations;**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to storm water sewer systems at the Facility.

f. **all below-ground structures, including, pipes, pipelines, sumps, wells, dry-wells and other structures for storage or conveyance of solid, gaseous or liquid materials, whether above ground or below ground ,**

> **and whether owned or operated by you or by another, and as presently configured and as previously configured;**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to below-ground structures or other structures for storage or conveyance of solid, gaseous or liquid materials at the Facility.

> **g. all above-ground structures, including buildings and including all facilities for storage or transport of solid, liquid or gaseous materials, whether owned or operated by you or by another, and as presently configured and as previously configured;**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to above-ground structures at the Facility.

> **h. all over-water or in-water facilities (e.g., piers, docks, cranes, bulkheads, pipes, treatment facilities, containment booms, etc.);**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to over-water or in-water facilities at the Facility.

> **i. all treatment or control devices for all media and pursuant to all environmental laws and regulations (e.g., surface water, air, groundwater, hazardous waste, solid waste, etc.);**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to treatment or control devices at the Facility.

> **j. groundwater wells, including drilling logs; and**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to groundwater wells at the Facility.

k. **information related to any other outfalls, ditches, direct discharge facilities or other conveyance features and any discharges associated therewith.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to any outfalls, ditches, direct discharge facilities or other conveyance features at the Facility.

12. **For all items identified in subparagraphs e, f, g, h, i, j, or k, of the previous question, locate each such item on a Facility map or plan, provide the date of installation, identify all permits associated with each item, state whether such items are still in service or, if not, when they were removed from service, identify all leaks or spills, if any, associated with each, and identify any closure of any such item.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the items identified in subparagraphs e, f, g, h, i, j, or k of the previous question.

13. **For each environmental permit issued with respect to the Facility during the Company's period of ownership or operation, identify the type of permit, the agency or governmental authority issuing the permit and provide a copy of the permit, the permit application, and any reports required to be generated by the permit.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to environmental permits issued with respect to the Facility.

14. **With regard to the placement of fill at the Facility:**

a. **Was any fill placed on the Facility during the initial development or redevelopment of the Facility by the Company, or at any time thereafter? If so, identify all areas of the Facility where fill was placed, the lateral extent of the fill and the depth of the fill, the purpose of the placement, the source of the fill, the amount of the fill in each area, and the identity of the contractors involved in work related to the fill. State whether the fill has ever been characterized,**

either before placement or thereafter and, if so, provide a copy of the sampling/characterization results.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the placement of fill at the Facility.

b. **Were any portions of the Facility historically part of Newtown Creek or did the Facility formerly include any marshlands or wetlands associated with Newtown Creek. Please depict any such areas on a survey, drawing or schematic. Please provide your understanding of who filled any such wet areas, the approximate date of such fill, and the lateral extent and depth of such fill, the source of the fill, the composition of the fill and, if any sampling has ever been done of such filled areas, provide a copy of the sampling results.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to whether portions of the Facility were historically part of Newtown Creek or whether the Facility formerly included marshlands or wetlands associated with Newtown Creek.

15. **Provide a copy of all reports, information or data you have related to soil, water (ground and surface), or air quality and geology/hydrogeology at and about the Facility. Provide copies of all documents containing such data and information, including both past and current aerial photographs as well as documents containing analysis or interpretation of such data.**

After conducting a thorough and extensive search, Honeywell has been unable to identify documents in its records related to soil, water, or air quality and geology/hydrogeology at or about the Facility.

16. **Identify all past and present solid waste management units or areas where materials are or were in the past managed, treated, or disposed (e.g., waste piles, landfills, surface impoundments, waste lagoons, waste ponds or pits, drainage ditches, tanks, drums, container storage areas, etc.) on the Facility. For each such unit or area, provide the following information, if available:**

a. **a map showing the unit/area's boundaries and the location of all known units/areas whether currently in operation or not. This map should be drawn to scale, if possible, and clearly indicate the location and size of all past and present units/areas;**

b. **dated aerial photograph of the Site showing each unit/area;**

c. **the type of unit/area (e.g., storage area, landfill, waste pile, etc.), and the dimensions of the unit/area;**

d. **the dates that the unit/area was in use;**

e. **the purpose and past usage (e.g., storage, spill containment, etc.);**

f. **the quantity and types of materials (hazardous substances and any other chemicals) located in each unit/area;**

g. **the construction (materials, composition), volume, size, dates of cleaning, and condition of each unit/area; and**

h. **if the unit/area described above is no longer in use, explain how such unit/area was closed and what actions were taken to prevent or address potential or actual releases of waste constituents from the unit/area.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to solid waste management units at the Facility.

17. **Provide the following information regarding any current or former sewer or storm sewer lines or combined sanitary/storm sewer lines, drains, or ditches discharging into Newtown Creek from the Facility:**

a. **the location and nature of each sewer line, drain, or ditch;**

b. **the date of construction of each sewer line, drain, or ditch;**

c. **whether each sewer line, drain, or ditch drained any hazardous substance, waste, material or other process residue to Newtown Creek; and**

d. **provide any documentation regarding but not limited to the following on any and all outfalls to Newtown Creek which are located within the boundaries of the Facility. Your response should include, but not be limited to:**

   a. **whether the Facility is serviced by or otherwise drains or discharges to the outfalls and, if so, the source of the outfall;**

   b. **the identify of upland facilities serviced by the outfalls;**

   c. **the upland geographic area serviced by the outfalls; and**

   d. **the type of outfall (i.e., storm water or single or multiple facility outfall).**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to sewer or storm sewer lines or combined sanitary/storm sewer lines, drains, or ditches from the Facility.

18. Provide copies of any storm water or Facility drainage studies, including data from sampling, conducted at these Properties on storm water, sheet flow, or surface water runoff. Also provide copies of any storm water pollution prevention, maintenance plans, or spill plans developed for different operations during the Company's operation of the Facility.

After conducting a thorough and extensive search, Honeywell has been unable to identify any documents in its records related to the Facility pertaining to storm water or drainage studies, or storm water pollution prevention, maintenance plans, or spill plans.

19. Connections to New York City sewer system:

a. **State whether the Facility is connected to the New York City sewer and the date that the Facility was first connected;**

b. **State whether the Facility has ever discharged liquid wastes other than through the New York City sewer system and, if so, provide details on such discharges;**

c. **State whether the Facility participates in the New York City pretreatment program, whether the Company has ever been classified as a significant industrial user, and whether the Company has ever been in violation of sewer use requirements or permits or received any notices of violation relating to use of the New York City sewer system;**

d. **Provide any information detailing the volume of liquids discharged to the sewers and the nature of the discharges including analytical data detailing the makeup of the discharged liquids;**

e. **Provide copies of all permits and permit applications for Industrial Wastewater discharge permits;**

f. **Provide copies of all notices of violations, correspondence, hearing transcripts and dispositions relating to the Company's use of the New York City sewer system;**

g. **Copies of any Baseline Monitoring Reports submitted to New York City in connection with the Company's application for an industrial wastewater discharge permit;**

h. **Copies of all surveys, reports or analyses delineating or characterizing the Company's liquid wastes;**

i. **Copies of all periodic monitoring reports for wastes discharged through the sewer system; and**

j. **Copies of all invoices from New York City or the New York City Water Board for water and/or wastewater charges including any wastewater allowances.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the Facility's connections to the New York City sewer system.

Section 4.0 Company's Operational Activities

20. **Describe the nature of your operations or business activities at the Facility. If the products, processes, operation, or business activity changed over time, please identify each separate operation or activity, the dates when each operation or activity was started and, if applicable, ceased. Also, please provide the following:**

    a. **Identify and describe the principal business activities conducted at the Facility by the Company and its affiliates;**

    b. **In addition to the business activity in the foregoing subparagraph, identify each other business activity or line of business for which the Facility was used during such time period;**

    c. **Identify each product manufactured or assembled by the Company, including its affiliates, from time to time at the Facility;**

    d. **Identify each industrial process employed at the Facility and the raw materials used and the wastes generated;**

    e. **Provide a schematic diagram or flow chart that fully describes and/or illustrates the Company's operations, as it evolved over time, and the time period covered by such operation, at the Facility;**

    f. **Provide a schematic diagram that indicates which part of the Company's operations generated each type of waste, including but not limited to wastes generated by cleaning and maintenance of equipment and machinery and wastes resulting from spills of liquid materials;**

    g. **Describe all settling tank, septic system, or pretreatment system sludges or other treatment wastes resulting from the Company's operations;**

    h. **Describe the waste handling procedures employed by the Company or its affiliates at the time of its operation;**

i. **State whether wastes were disposed of at the Facility, by land filling or discharge to Newtown Creek and, if so, provide details including areas and estimated quantities of such disposal;**

j. **Provide copies of any Material Safety Data Sheets ("MSDSs") and Right-to-Know Notices for raw materials used in the Company's operations;**

k. **Provide copies of MSDSs for each product produced at the Facility; and**

l. **Provide product literature and advertising materials for each product produced at the Facility.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the nature of operations or business activities at the Facility.

21. **Did the Company store or combust coal at the Facility during the time of its ownership or operation? If your answer is yes, please respond to the following requests for information for all periods of time that the Company operated at or owned the Facility:**

a. **Identify the purposes for such coal storage or combustion, including if used in energy production and the processes in which the energy was used at the Facility;**

b. **State the means by which the shipments of coal were delivered to the Facility, whether by barge, rail, truck or other, and identify the shipper and the vendor. Describe how the coal was received at the Facility and transported to storage facilities;**

c. **Identify the volume of coal received at the Facility, the type or types of coal (i.e. bituminous, anthracite, etc.) received and consumed on an annual basis during the period of the Company's ownership or operations, including changes over time;**

d. **Describe the means of storage of coal at the Facility, including whether the Facility employed coal pockets or other storage areas, the** dimensions and volume of such storage facilities, and whether such storage was indoors or outdoors and covered or uncovered. Identify on a Facility map or diagram the location of the coal storage facilities. Describe the means of transport of the coal from the storage facilities to the combustion point;

e. **Identify how the coal ash was managed including the location and storage facilities for the coal ash and whether it was stored indoors or outdoors, covered or uncovered, the means of conveying the ash to the on-site storage facilities, the location of the storage facilities, and, if sent for disposal, identify the disposal companies. State whether the ash was ever used at the Facility, whether as fill or for any other purpose, or if it was in any other manner disposed of at the Facility and, if so, describe the circumstances and identify the areas of disposal on a Facility map;**

f. **State whether there were Company written manuals providing for coal purchase, storage, maintenance of storage facilities, transport, consumption, or ash management and, if so, provide a copy of such written materials; and**

g. **State whether there were any permits associated with the coal receipt, storage or consumption or ash management and, if so, provide a copy of such permits.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the combustion of coal at the Facility.

22. **Describe the receipt, storage and off-shipment of chemicals, raw materials, ores, intermediary product, and final product (including, without limitation petroleum) at the Facility. For each question, identify the time period covered by your response. Please provide a copy of Company manuals that over time were in effect describing these procedures.**

a. **For receipt of materials, please identify:**

a. all such materials (including, without limitation, petroleum) received, stored at or shipped from the Facility;

b. its method of shipment to the Facility (e.g., pipeline, barge, rail, tanker, truck, or other);

c. testing, if any, upon receipt of such material, for quality, for conformity to specification, for contamination or otherwise; and

d. treatment, if any, at the Facility of any material shipped to the Facility, prior to storage in tanks at the Facility.

b. For off-shipment: identify the methods of shipping petroleum products from the Facility (barge, tanker, truck, rail, pipeline or other); testing of petroleum products prior to shipment and the fate of any product that does not meet specifications for such product and the reasons that any product may have failed to meet your Company's standards for shipment.

c. For chemicals: Identify chemicals acquired for use at the Facility including the identification of each such chemical, the purpose for which it was acquired, any testing done on such materials upon receipt, the method of storage whether in the warehouse or in storage tanks or otherwise. Describe all processes for which each such chemical was used at the Facility. Identify all spills, emissions, discharges and releases of any such chemical since the time that your Company has owned the Facility and, if you know, prior to your ownership and/or operations at the facility. Please provide copies of MSDSs for each such chemical.

d. For tank and infrastructure cleaning: Describe tank cleaning and infrastructure cleaning procedures, the identification of materials removed in such cleaning operations, the volume of waste generated in such operations and the storage, and the treatment and disposal of such wastes. Identify the contract and the contractors used to perform the cleaning for the Company.

e. **For metals and metal compounds (including but not limited to raw materials, scrap, byproducts, ash, wastewater and wastes containing metals or metal compounds but not including metals as components of structures or equipment): Identify any metals and metal compounds previously or currently used or otherwise present at the Facility; the purpose for each of them; any testing done on such materials; and the method and location of use, storage and other handling of such materials at the Facility. Identify all spills, emissions, discharges and releases of any such substances at or from the Facility since the time that your Company owned or operated the Facility. Please provide any MSDSs for each such substance.**

f. **For polychlorinated biphenyls ("PCBs"): identify any PCBs previously or currently used or otherwise present at the Facility, including, but not limited to (i) PCBs in plasticizers, fire retardants, paints, water-proofing, railroad ties, heat stabilizing additives for adhesives, and other materials; (ii) PCBs in capacitors, transformers, vacuum pumps, hydraulic systems, and other devices; and (iii) PCBs in raw materials, wastes, wastewater, scrap, and byproducts; identify the purpose for each of them, any PCB testing done on such materials, and the method and location of use, storage and other handling of PCBs at the Facility; and identify all spills, emissions, discharges and releases of any PCBs at or from the Facility since the time that your Company has owned the Facility. Please provide any MSDSs for PCBs at the Facility.**

g. **Provide copies of any records, including Company manuals or written procedures that you have in your possession, custody or control, relative to the activities described in this Question.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the receipt, storage or off-shipment of chemicals, raw materials, ores, intermediary product, or final product at the Facility

23. **Describe the years of use, purpose, quantity, and duration of any application of pesticides or herbicides on the Facility. Provide the brand name of all pesticides or herbicides used.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the use of pesticides or herbicides at the Facility.

24. For all periods of the Company's ownership or operation of the Facility, describe how wastes transported off the Facility for disposal or treatment were handled, stored, and/or treated prior to transport to the disposal facility.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the handling, storage, or treatment of wastes transported off the Facility.

25. Describe the cleaning and maintenance of the equipment and machinery involved in these operations, including but not limited to:

- **a. the types of materials used to clean/maintain this equipment/machinery;**
- **b. the monthly or annual quantity of each such material used;**
- **c. the types of materials spilled in the Company's operations;**
- **d. the materials used to clean up those spills;**
- **e. the methods used to clean up those spills;**
- **f. where the materials used to clean up those spills were disposed of;**
- **g. provide copies of Company manuals or procedures relating to cleaning of equipment and machinery and the Facility; and**
- **h. provide copies of all records of such cleaning and maintenance including internal records and records from any outside vendor for such services.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the cleaning or maintenance of equipment and machinery at the Facility.

26. **Describe all wastes disposed by the Company into drains at the Facility, including but not**

limited to:

a. **the nature and chemical composition of each type of waste;**

b. **the approximate quantity of those wastes disposed by month and year;**

c. **the location to which these wastes drained (e.g. Facility drains to Newtown Creek, sheet flow to Newtown Creek, septic system or storage tank at the Facility, oil-water separator, pre- treatment plant, New York City sewer system); and**

d. **whether and what pretreatment was provided.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to wastes disposed of at the Facility.

27. **Identify all oil/water separators at the Facility during the Company's ownership or operation including dates of installation, dates of replacement or major modification, purpose of installation and source of influent, and location of discharge. Provide a copy of each permit and permit application, influent and effluent sampling results, and copies of all submissions to federal, state, city or county environmental agencies or public health agencies relating to oil/water separators.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to oil/water separators at the Facility.

28. **Identify each fixed above-ground storage tank and each fixed below-ground storage tank that is or was situated on the Facility during the Company's ownership or operation. Provide a copy of all permits relating to the tank and provide a copy of all Company written manuals or procedures, including manuals that have been superseded by newer**

manuals or procedures, addressing use and maintenance of such tanks. For each tank, identify:

a. date of installation;

b. dates and nature of major modifications;

c. dates and nature of spill detection equipment;

d. dates and nature of cathodic protection equipment;

e. a description or drawings of any such tank;

f. the identity of contents that have been stored in any such tank both before (if known) or during the Company's ownership or operation;

g. practices of cleaning at the time of any change in items stored;

h. manner of ultimate disposal of wastes from the tank;

i. any procedures for addressing spills from the tanks; and

j. all spills that have occurred during the Company's ownership of the Facility.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to above-ground or fixed below-ground storage tanks at the Facility.

29. Identify each pipeline serving the Facility that is or was situated on the Facility property (either above- or below-ground) during the Company's ownership or operation. For each pipeline, please:

a. identify the owner and the operator of the pipeline servicing the Facility. If there are separate owners or operators of the pipeline for the segments located on the Facility and the segment located off the Facility, please identify all such owners and operators;

b. **provide a copy of all permits maintained by the Company relating to the pipeline on the Facility and the date of installation;**

c. **identify all materials transported to the Facility through the pipeline, including, without limitation, crude petroleum, petroleum products, additives, other refining materials, batch separators, natural gas, manufactured gas, other fuels, chemicals and/or other materials;**

d. **describe pipeline cleaning processes and procedures for handling and disposal of wastes in the pipelines including mixed batches of materials in the pipeline;**

e. **identify procedures for addressing spills from the pipelines;**

f. **identify all spills that have occurred during the Company's ownership or operation of the Facility; and**

g. **provide a copy of all Company written manuals or procedures, including manuals that have been superseded by newer manuals or procedures, which address or regulated use and maintenance of such pipelines.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to pipelines serving the Facility.

Section 5.0 Regulatory Information

30. Identify each federal, state and local authority that regulate or regulated environmental concerns relating to the ownership or operation at the Facility, the activity regulated and the applicable federal, state and local statute or regulation from which such regulation was derived.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to federal, state, or local regulation relating to the ownership or operation of the Facility.

31. Describe all occurrences associated with violations, citations, deficiencies, and/or accidents concerning the Facility related to environmental concerns. Provide copies of all documents associated with each occurrence described.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to violations, citations, deficiencies, and/or accidents concerning the Facility.

32. Provide a list of all local, state and federal environmental permits which have been applied for or issued to the Company with respect to the Facility for any media, e.g., water (including State Pollutant Discharge Elimination System and National Pollutant Discharge Elimination System, New York City sewer, Industrial Pretreatment Program or any other wastewater discharge related governmental authorization or notice), excavation and fill in navigable waters, dredging, tidal wetlands, air, solid waste or hazardous waste, bulk storage, industrial wastewater, etc. under any environmental statute or regulation. Provide a copy of each federal or state permit and the applications for each permit.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to environmental permits applied for or issued with respect to the Facility.

33. Was a Notification of Hazardous Waste Activity ever filed with EPA or New York State for any activity at the Facility during the period that the Company or any affiliate owned or operated at the Facility. If so, provide a copy of such notification and the response given by EPA or New York State including the RCRA identification number assigned.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the filing of a Notification of Hazardous Waste Activity in relation to the Facility.

34. Did the Company or any affiliate ever have "interim status" under RCRA at the Facility? If so, and the Facility does not currently have interim status, describe the circumstances under which the Facility lost interim status.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to "interim status" under RCRA with respect to the Facility.

35. Identify all state or City offices to which the Company has sent or filed hazardous substance or hazardous waste information with regard to the Facility or Other Newtown Creek Properties. State the years during which such information was sent/filed.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the sending of filing of hazardous substance or hazardous waste information with respect to the Facility or the Other Newtown Creek Properties.

36. Has the Company or the Company's contractors, lessees, tenants, or agents ever contacted, provided notice to, or made a report to the New York State Department of Environmental Conservation (NYSDEC) or New York City Department of Environmental Protection (NYCDEP) or any other state or city agency concerning an incident, accident, spill, release, or other event involving the Facility or involving Newtown Creek? If so, describe each incident, accident, spill, release, or other event and provide copies of all communications between the Company or its agents and NYSDEC, NYCDEP, New York State Department of Health, New York City Department of Health and Mental Hygiene, or any other state or city agency.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to reports to the NYSDEC or NYCDEP concerning an incident, accident, spill, release, or other event involving the Facility or involving Newtown Creek.

Section 6.0 Facility Releases, Investigations and Remediation

37. Identify all leaks, spills, or releases into the environment of any waste, including hazardous substances, pollutants, or contaminants, industrial waste or petroleum that have occurred at or from the Facility. In addition, identify and provide copies of any documents regarding:

a. the date of each releases;

b. **how the releases occurred, e.g. when the substances were being stored, delivered by a vendor, transported or transferred (to or from any tanks, drums, barrels, or recovery units), and were addressed or treated;**

c. **the identity of the material released and the amount of each released;**

d. **where such releases occurred;**

e. **activities undertaken in response to each such release or threatened release, including the notification of any agencies or governmental units about the release and the remediation and the regulatory disposition concerning such release; and**

f. **identify all fires, explosions or other similar events that have occurred at the Facility during the Company's ownership or operation that required response either by a Facility employee or a New York City responder or that was the subject of a subsequent investigation by a New York City agency. Identify the location on a Facility map where each of the events occurred and identify the items that were combusted in whole or part, including, without limitation, hazardous substances, pollutants or contaminants, industrial waste or petroleum. Provide a copy of all reports of the event, whether such reports are the Company's private reports or are public reports in the Company's possession.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to leaks, spills, or releases at or from the Facility.

38. Was there ever a spill, leak, release or discharge of waste, or process residue, including hazardous substances, pollutants, contaminants, industrial waste, or petroleum, into any subsurface disposal system or floor drain inside or under a building on the Facility? If the answer to the preceding question is anything but an unqualified "no", provide details of each event and any communication with any federal, state or city regulatory body.

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to leaks, spills, releases, or discharges into any subsurface disposal system or floor drain inside or under a building on the Facility.

39. Has any contaminated soil ever been excavated or removed from the Facility? Unless the answer to the preceding question is anything besides an unequivocal "no", identify and provide copies of any documents regarding:

- **a. reason for soil excavation;**
- **b. location of excavation presented on a map or aerial photograph;**
- **c. manner and place of disposal and/or storage of excavated soil;**
- **d. dates of soil excavation and amount of soil excavated;**
- **e. all analyses or tests and results of analyses of the soil that was removed from the Facility;**
- **f. all confirmatory analyses or tests and results of analyses of the excavated area after the soil was excavated and removed from the area; and**
- **g. all persons, including contractors, with information about (a) through (f) of this question.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the excavation or removal of contaminated soil from the Facility.

40. Have you treated, pumped, or taken any kind of response action on groundwater under the Facility? If your answer is "yes", identify and provide copies of any documents regarding:

- **a. the reason for groundwater action;**
- **b. whether the groundwater contains or contained hazardous substances, pollutants, contaminants, industrial waste, or petroleum,**

what the constituents are or were which the groundwater contained, and why the groundwater contained such constituents;

c. **all analyses or tests and results of analyses of the groundwater;**

d. **if the groundwater action has been completed, the basis for ending the groundwater action; and**

e. **all persons, including contractors, with information about (a) through (d) of this question.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to the treatment or pumping of, or other response action on, groundwater under the Facility.

41. **Was there ever a spill, leak, release or discharge of a hazardous substance, waste, or material into Newtown Creek from any equipment, structure, or activity occurring on, over, or adjacent to the Creek? If your answer is "yes", identify and provide copies of any documents regarding:**

a. **the nature of the hazardous substance, waste, or material spilled, leaked, released or discharged;**

b. **the dates of each such occurrence;**

c. **the amount and location of such release;**

d. **whether sheens were created on the Creek by the release ; and**

e. **whether there ever was a need to remove or dredge any solid waste, bulk product, or other material from the Creek as a result of the release? If so, please provide information and description of when such removal/dredging occurred, why, and where the removed/dredged materials were disposed.**

Honeywell objects to this question as overbroad and unduly burdensome to the extent it seeks information and/or documents regarding spills, leaks, releases, or discharges into Newtown Creek by any entity, regardless of whether the entity has some relationship to Honeywell. Subject to and without waiving this objection, Honeywell has conducted a thorough and extensive search of its records, and has been unable to identify any information or documents pertaining to leaks, spills, releases, or discharges into Newtown Creek.

42. **Describe the purpose for, the date of initiation and completion, and the results of any investigations of soil, water (ground or surface), sediment, geology, hydrology, or air quality on or about the Facility. Provide copies of all data, reports, and other documents that were generated by the Company or any contractor or consultant, or by a federal or state regulatory agency related to the investigations that are described.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to investigations of soil, water, sediment, geology, hydrology, or air quality on or about the Facility.

43. **Describe any remediation or response actions that you or your agents or consultants have ever taken or are currently taking at the Facility, either voluntarily or as required by any state, local or federal entity. If not otherwise already provided under this Information Request, provide copies of all enforcement agreements with regulatory agencies pursuant to which such response actions were undertaken as well as all reports of investigations or cleanup activities on the Facility.**

After conducting a thorough and extensive search, Honeywell has been unable to identify any information or documents in its records pertaining to remediation or response actions taken or currently in progress at the Facility.

44. **State whether you are planning to perform any investigations of the soil, water (ground or surface), geology, hydrology, and/or air quality at or about the Facility? If so, identify: the purpose, nature, and scope of such investigations and the dates when you plan to undertake such investigations.**

Honeywell is not at present planning to perform any investigations of the soil, water, geology, hydrology, and/or air quality at or about the Facility.

45. Provide a copy of all environmental investigation reports of the Facility including investigations undertaken at the times of acquisition and transfers of the Facility by the Company.

After conducting a thorough and extensive search, Honeywell has been unable to identify any documents in its records pertaining to environmental investigation reports of the Facility.

Section 7.0 Compliance with this Request and Financial Information

46. <u>Persons and Sources Consulted in Your Response</u>: Identify all persons, other than counsel, that the Company consulted, and all sources that the Company reviewed in responding to this request, including, but not limited to:

a. the names of persons consulted, the contact information for such person, and if the person is a current or former employee, the job title and responsibilities for such persons and the dates of employment, and identify which questions the person was consulted about; and

The persons consulted in searching for information relevant to this Request are the following:

Steve Coladonato
Remediation Manager
Honeywell International Inc.
6100 Philadelphia Pike
Claymont, DE 19703
(302) 791-6738
Dates of employment: March 2011 — present

Jeanne Wetenhall
Legal Assistant
Honeywell International Inc.
101 Columbia Road
Morristown, NJ 07962
(973) 455-4599
Dates of employment: June 1974 — present

b. a description and the location of where all sources reviewed are currently located, and the questions to which such sources relate.

Upon receiving EPA's Request, Honeywell searched its company archives for information potentially relevant to this Request. Because Honeywell has operated dozens of facilities across the United States, this search involved reviewing voluminous file indices and documents. The sources Honeywell reviewed in responding to this Request are currently located in the offices of its outside counsel, Arnold & Porter. Honeywell references and cites to the attached documents because these constitute, at this time, and after a thorough and extensive search of its records, the only sources of information regarding the topics covered in EPA's Request.

47. Identify all individuals who currently have and those who have had responsibility for the Company's environmental matters (e.g. responsibility for the disposal, treatment, storage, recycling, or sale of the Company's wastes). Also provide each such individual's job title, duties, dates performing those duties, supervisors for those duties, current position or the date of the individual's resignation, and the nature of the information possessed by such individuals concerning the Company's waste management.

Honeywell objects to this question as overbroad, unduly burdensome, and not calculated to lead to the discovery of information necessary or useful to EPA's investigation to the extent that it seeks information regarding all individuals who have had responsibility for Honeywell's and its affiliated entities' environmental matters. Honeywell does not currently have ongoing operations on or around Newtown Creek. After conducting a thorough and extensive search of its records, Honeywell has been unable to identify the individuals responsible for environmental matters at the Facility or at the Other Newtown Creek Properties.

48. <u>Financial Information</u>: Provide a copy of the Company's certified annual financial statements for each of the most recent three years.

Honeywell's certified annual financial statements for 2009, 2010, and 2011 are attached. (See Exhibits 8-10)

49. <u>Insurance and Indemnification</u>:

a. **Provide a schedule of liability insurance policies that provided coverage for the Company with respect to the Facility. Please list all policies from the Company's initial ownership or initial operation of the Facility to the current date, showing the insured, insurer, broker or agent from whom you procured such insurance (if any), policy number, effective dates of the policy, and liability limits. Provide a copy of the Declaration Page for each such insurance policy. For any insurance policy that the Company no longer has in its possession, provide a copy of relevant records tending to show the existence of such policy;**

b. **Provide a schedule of casualty insurance policies since the time of initial ownership or operation of the Facility, with the same information called for in the previous subparagraph that may provide coverage for cleanup of the Facility;**

c. **Has the Company made claims under any policy in connection with environmental liability or environmental casualty in connection with the Facility? If the Company has ever made such a claim, provide a copy of all notices and correspondence in connection with such claim, and state the disposition of such claim;**

d. **Identify each entity that may have a duty to indemnify the Company for any potential liability in connection with the Facility or the Site, identify the circumstances giving rise to the indemnity, and provide a copy of any document that reflects a requirement to indemnify the Company; and**

e. **Identify each entity that the Company has agreed to indemnify for any potential liability in connection with the Facility or the Site, identify the circumstances giving rise to the indemnity and provide a copy of any document that reflects a requirement to indemnify by the Company.**

After a thorough and extensive search, Honeywell has been unable to identify information or documents in its records related to insurance policies or contracts related to the Facility or the Site.

Please feel free to contact me if you need additional information.

Sincerely,

Jeremy C. Karpatkin

Enclosures

cc: Caroline Kwan, U.S. EPA, Region II
Tom Byrne, Esq., Honeywell International Inc.
Steve Coladonato, Honeywell International Inc.

CERTIFICATION OF ANSWERS TO REQUEST FOR INFORMATION
NEWTOWN CREEK SUPERFUND SITE

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document (response to EPA Request for Information) and all documents submitted herewith, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate, and complete, and that all documents submitted herewith are complete and authentic unless otherwise indicated. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment. I am also aware that the Company is under a continuing obligation to supplement its response to EPA's Request for Information if any additional information relevant to the matters addressed in EPA's Request for Information or my Company's response thereto should become known or available to the Company.

Steve Coladonato
NAME (print or type)

Remediation Manager
TITLE (print or type)

Honeywell International
COMPANY NAME

SIGNATURE

6/11/12
DATE

EXHIBIT 1

Exhibit B Exhibit C

ANDERSON RUSSELL KILL & OLICK, P.C.
666 Third Avenue
New York, New York 10017
(212) 850-0796

LOWENSTEIN, SANDLER, KOHL, FISHER & BOYLAN
65 Livingston Avenue
Roseland, New Jersey 07068
(201) 997-8700

Attorneys for Plaintiffs
Allied-Signal Inc. and
U.O.P. Inc.

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION: MORRIS COUNTY
DOCKET NO. MRS L-226-88
Civil Action

ALLIED-SIGNAL INC., et al.,
Plaintiffs,

vs.

ABEILLE-PAIX REASSURANCES, et al.,
Defendants.

AFFIDAVIT OF THOMAS D. KENT

THOMAS D. KENT, being duly sworn, deposes and says:

1. I am a Staff Vice President and Associate General Counsel for Allied-Signal Inc. ("Allied").

2. I make this affidavit based on my personal knowledge and upon my review of corporate records and discussions with Allied personnel under my direction.

3. In 1920, the Allied Chemical and Dye Corporation was formed through a business combination of five

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of the major chemical companies in the United States at that time:

The Solvay Process Company;
General Chemical Company;
National Aniline & Chemical Company;
Semet-Solvay Company; and
The Barrett Company

4. General Chemical Company was organized in 1899 through the combination of 12 chemical companies at least five of which were New Jersey companiesin the Nineteenth Century. Those five companies were as follows:

Martin Kalbfleish Company
Bayonne, New Jersey

Dundee Chemical Company
Dundee, New Jersey

Passaic Chemical Company
Passaic, New Jersey

Lodi Chemical Company
Lodi, New Jersey

Jas. L. Morgan and Company
Shadyside, New Jersey

5. The Barrett Company was incorporated in New Jersey in 1903. The Barrett Company's original name was American Coal Products Company, until 1916.

6. The Solvay Process Company, General Chemical Company, National Aniline and Chemical Company, Semet-Solvay Company and The Barrett Company operated as separate subsidiaries until the 1940s when they were merged into and became operating divisions of Allied Chemical & Dye Corporation.

Exhibit B

Exhibit C

CONFIDENTIAL

7. In 1954, Allied Chemical & Dye Corporation acquired Mutual Chemical Company of America ("Mutual Chemical").

8. Mutual Chemical was dissolved in 1955 and its assets were transferred to Allied.

9. Mutual Chemical was formed as a New Jersey corporation with its principal place of business in Jersey City in 1908 as a result of the merger of three chromium companies. One of those companies, Mutual Chemical Company of Jersey City was incorporated in New Jersey before 1900.

10. In 1958, Allied Chemical & Dye Corporation changed its name to Allied Chemical Corporation.

11. In 1979, Allied Chemical Corporation acquired Eltra Corporation.

12. Eltra Corporation had been formed in 1963 as a result of the merger of Electric Auto-Lite Company with Mergenthaler Linotype Company. Prior to 1963, Electric Auto-Lite company had acquired Marshalltown Manufacturing Company, Inc. and C&D Battery Corporation.

13. In 1981, Allied Chemical Corporation changed its name to Allied Corporation.

14. In 1981, Allied Corporation acquired Bunker Ramo Corporation and Fisher Scientific Company.

15. In 1983, Allied Corporation acquired Instrumentation Laboratory Inc. and the Bendix Corporation.

Exhibit B

Exhibit C

CONFIDENTIAL

16. Bunker Ramo Corporation and Eltra Corporation merged ~~in~~ 1982 to form Bunker Ramo-Eltra Corporation ("BRE").

17. BRE was merged into Allied Corporation in 1986.

18. The Bendix Corporation operated as a wholly-owned subsidiary of Allied Corporation between 1983 and 1985. In 1985, it was merged into Allied Corporation.

19. In 1984, Allied Corporation acquired Baron-Blakeslee, Inc. Baron-Blakeslee, Inc. was merged into Allied-Signal Inc. in 1987.

20. In 1985, Allied Corporation combined with The Signal Companies, Inc. ("Signal") to form Allied-Signal Inc. Before 1968, Signal was known as Signal Oil and Gas Company.

21. Allied Corporation and Signal remained wholly-owned subsidiaries of Allied-Signal Inc. until merged into Allied-Signal Inc. in 1987.

22. Signal had acquired Garrett Corporation in 1964. Garrett was a wholly-owned subsidiary of Signal until Garrett was merged into Allied-Signal Inc. in 1987.

23. In 1975, Signal had acquired fifty-one percent of the stock of Universal Oil Products Company ("UOP"). Signal acquired the remaining forty-nine percent of

CONFIDENTIAL

Exhibit B

Exhibit C

UOP's stock in 1978. When Signal merged with Allied Corporation in 1985, UOP became a wholly-owned subsidiary of Allied-Signal Inc.

Exhibit B

Thomas D. Kent

Thomas D. Kent

Exhibit C

Sworn to before me this
8th day of August, 1988.

Trudy Liesy

Notary Public

TRUDY LIESY
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES MAY 3, 1992

CONFIDENTIAL

EXHIBIT 2

Library Files

HISTORY OF ALLIED CHEMICAL

A paper presented by Dr. John Cosby before a meeting of the American Chemical Society in Chicago, Illinois, September 11, 1958.

Allied Chemical Corporation -- known to more than a generation of observers of the industrial scene as Allied Chemical & Dye Corporation -- had its formal inception as a consolidation in 1920 of five varied but related chemical businesses. These five companies trace their origins back to the second half of the nineteenth century, when the business of manufacturing chemicals in America -- principally inorganics -- had already proved itself as an essential industry.

Today, Allied Chemical is quite different from what it was at its formation in 1920, a great transformation having taken place mainly during the last ten years. Allied has always been in the forefront of producers of heavy chemicals for industry, and more recently has entered into the manufacture of upgraded and specialty products such as "Genetron" fluorinated hydrocarbons, "Caprolan" polyamide fiber, and polyethylenes.

It is interesting to trace the evolution of a large diversified corporation such as Allied.

The first World War brought to the American public a realization of the importance of chemicals and dyes to the economy and welfare of the United States, and the extent to which Germany had been able to dominate the industry. When the war so effectively cut off our imports of dyes, pharmaceuticals and intermediates, it was necessary to develop our own supplies quickly.

Following the war, memories of these shortages were fresh in people's minds, and American industrial leaders sought strength through a pooling of efforts. Motivated by the idea that the chemical industry should be free of foreign domination, a group of men heading five chemical enterprises visualized setting up a business of allied chemicals.

The merger was completed in December 1920, through stock ownership, by consolidating the National Aniline & Chemical Company, pioneer dye-making concern, with the Barrett Company, making coal-tar products; the General Chemical Company, specializing in industrial acids; Semet-Solvay Company, manufacturing coke and its by-products; and Solvay Process Company, producing alkalies and nitrogen products. None of the companies competed to any important extent with another. Together, they formed a complex which was largely independent of other U. S. chemical manufacturers.

Two leading architects of the Allied Chemical structure were Eugene Meyer, one of the Company's present directors; and the late Dr. William H. Nichols, first president of the General Chemical Company.

Mr. Meyer is well-known for the variety of his interests. His long career started in banking and industry, then centered in government where he carried out public service assignments under six administrations.

Mr. Meyer's fortuitous entry into the business of chemicals began in the early 1900's when a friend introduced him to William Beckers, who was engaged in manufacturing wool dyes on a modest scale. With Meyer's backing, Dr. Beckers expanded his company and achieved considerable success.

In 1917, the Beckers Company joined two other dye firms -- the Benzol Products Company and the Schoellkopf Aniline and Color Company -- to form National Aniline & Chemical Company, the first integrated producer to make dyes all the way from processing of coal-tar crudes to finished product.

The Benzol Products Company had been established in 1910 to make aniline oil, as a joint enterprise of three of the firms which were later to become part of Allied. Founded in 1879, the Schoellkopf Company was the pioneer Buffalo firm established by Jacob Schoellkopf, a name long associated with the dye industry in America.

While Eugene Meyer on the one hand was concerned with the dye interests of the Allied merger, William H. Nichols, General Chemical Company's chairman, was thoroughly familiar with the activities of the other companies involved. He had, for instance, arranged the formation of Benzol Products Company by General Chemical, Barrett, and Semet-Solvay Companies; and in 1919 he had been the guiding influence in organizing a subsidiary of General, Semet-Solvay and Solvay Process, known as the Atmospheric Nitrogen Corporation.

The Benzol Products Company and the Atmospheric Nitrogen Corporation were a preliminary manifestation of the closely related interests of the firms which later joined together to form Allied Chemical.

Dr. Nichols was characterized by an inquisitive turn of mind, an intense preoccupation with research, and a strong personality combining energy with charm. He was one of the New York scientists who in 1876 formed the society which is meeting here today. Years later, in 1918, Nichols served as president of the American Chemical Society. His name lives on today in the Nichols Medal, awarded annually by the Society's New York Section, and in the chemistry laboratory which he founded at New York University.

The committee which formed Allied Chemical in 1920 was headed by Dr. Nichols, who became Allied's first board chairman.

The oldest of the merging companies had its origin in the early 1850's -- when coal-tar was discovered to be a fine roofing material. Following the trend of many Americans who were migrating west at that time, young Samuel Barrett made his way from Keene, New Hampshire, to Chicago, then an overcrowded city of 30,000. Here, Barrett started in the roofing business and in 1854 organized his own firm, obtaining waste coal-tar from the local gas works.

The Barrett Company expanded and by 1896 ten other companies had joined the organization. Barrett soon became an important producer of coal-tar chemicals as well.

Early in this century Barrett won a national reputation with its "Tarvia" paving materials and the "Specification" roof.

In the 1880's, another branch of the chemical industry was just getting off to a start in America. This was the manufacture of alkalies, represented by another of Allied's ancestor firms -- the Solvay Process Company. One of the leaders in this enterprise was a mining engineer -- William B. Cogswell -- who in 1879 became interested in a new ammonia-soda process for making soda ash that had been developed in Belgium by Ernest and Alfred Solvay.

The new method appealed to Cogswell as a likely successor to the costly Le Blanc process that was being used to make the soda ash America had been importing from England. Rowland Hazard, a prominent industrialist known for his enthusiastic support of American technology, encouraged Cogswell and together they persuaded the Solvays to enter into a contract for an American plant using their process.

In September 1881, the Solvay Process Company was formed with Mr. Hazard as president and Mr. Cogswell, treasurer. Syracuse was the logical site for the company's first plant, as it offered salt deposits, limestone quarries, an abundant water supply, and excellent transportation. Complicated by unskilled workers and unfamiliar apparatus, the going was not easy at first, but finally in 1884 the Solvay Process Company made its first soda ash.

By the 1890's Solvay had increased its capacity to such an extent that it was hampered by the expensive and uncertain supply of ammonia -- a key chemical in the process. Just about that time Louis Semet, a relative of the Solvays, together with them, had developed a coke oven designed to recover gas, ammonia, tar and light oils which had previously been wasted by the so-called "bee-hive" oven.

Thus, in 1891, a Solvay Process Company engineer travelled to Brussels to study the design of the Semet-Solvay oven. The first by-product coke ovens in America were built in 1892, at Syracuse, marking the beginning of another new industry.

Three years later, Solvay formed the Semet-Solvay Company to construct, operate and promote the use of the new oven, which found ready acceptance by the steel and chemical industries.

In 1900, Semet-Solvay erected a plant to produce benzol, toluol and naphtha from light oils recovered from coke oven gas, and pioneered in developing a market for these chemicals. By the First World War, Semet-Solvay had built a number of plants to produce aniline and other intermediates, pharmaceuticals and photographic chemicals.

General Chemical Company was also born in the 19th century -- just under the line, in 1899. Dr. Nichols organized this new company by combining his own Nichols Chemical with eleven other well-established heavy-chemical producers.

Under Dr. Nichols' guidance, as president, General Chemical developed the "contact" process for sulfuric acid, providing a purer product than the lead chamber process offered. This research soon led to General's building the first commerical "contact" plant in the U. S.

General Chemical began a rapid expansion in producing high-strength acid and oleum, and by 1914 was operating ten plants housing 44 contact units. Today, Allied's largest sulfuric acid plant and one of the most sizeable extant is the Delaware Works at Marcus Hook, Pennsylvania.

Another of Dr. Nichols' interests was to develop an independent American process for the fixation of atmospheric nitrogen. As early as 1913, he put General Chemical's research teams to work on nitrogen fixation.

By 1917 General Chemical was ready to build an atmospheric nitrogen plant on a commercial scale, but with the war's urgent needs, the Company turned its process over to the government for use in munitions manufacture. Dr. Nichols received a letter from Woodrow Wilson in appreciation of his patriotic and generous offer. A plant was constructed at Muscle Shoals, Alabama, although it was not finally completed until after the Armistice.

Out of these developments, Dr. Nichols promoted the formation of the Atmospheric Nitrogen Corporation in 1919 which became an Allied subsidiary the following year.

Allied began operating the first American commercial synthetic ammonia plant in 1921, at Syracuse. The plant's capacity was small, producing at most only 40 tons of ammonia a day, but it served as the model for Allied's plant built at Hopewell, Virginia -- the largest of its kind in the world.

The Hopewell plant -- which began operations late in 1928 -- freed this country from the need to import Chilean nitrates, at the same time reducing the price of nitrogen appreciably. Hopewell was one of the Company's most difficult projects, but became most rewarding.

After World War II, Allied purchased a synthetic nitrogen plant which it had constructed and operated for the government during the war, at South Point, Ohio. In 1952 a separate Nitrogen Division was created to take over production and sale of ammonia and nitrogen products.

Allied's output of finished fertilizers and nitrogen products over the years has greatly benefited American agriculture. Probably most significant, in the early 1930's, was the development of ammoniation solutions for use in blending of nitrogen compounds with superphosphates -- furnishing an inexpensive source of nitrogen and improving as well the physical characteristics of the superphosphates.

More recently from Hopewell research have come nitrogen fertilizer solutions for direct application to the soil. This is one of the fast-growing activities in the fertilizer business today, because of both economic and crop-improvement advantages.

Allied's pioneering work in nitrogen fixation in the 20's and 30's, and its role as a supplier of industrial acids, alkalies, and coal-tar chemicals established the Company as a prime source of low-cost basic chemicals.

During this period a number of other products evolving from Allied's research programs fortified its position as a supplier of chemicals for industry. The Barrett organization, for instance, had done considerable research leading to the vapor-phase catalytic oxidation of benzene to maleic anhydride. Barrett had also initiated the process for phthalic anhydride based on catalytic oxidation of naphthalene -- a process which first made phthalic manufacture economically feasible.

To keep pace with the demand for alkyd and other surface coatings, and the more recent development of reinforced polyester resins, Allied has increased production and is the largest American manufacturer of phthalic anhydride. The Company is also a leading producer of maleic anhydride, maleic, fumaric and related acids, with improved processes yielding extremely pure products.

The early thirties marked Allied's -- and America's -- entry into synthetic detergents. With a large-scale research program under way, National Aniline Division in 1934 introduced commercially the first synthetic alkyl aryl sulfonate detergents prepared from petroleum, marketed as "Nacconols".

By World War II, Allied's reputation for dependability made it one of the principal suppliers of chemicals for the nation's defense effort. Even before America became involved, the Company had expanded nitrogen capacity at Hopewell. During the war, Allied's nitrogen specialists designed two other ammonia plants for the government, training the personnel and operating the new plants. The Company also provided materials to meet the rising demand for heavy acids and alkalies. Seven of the Company's contact sulfuric acid plants were converted to the manufacture of oleum for explosives production, and eleven new plants were constructed.

A major activity of Allied during this period was the manufacture of TNT. General Chemical built and operated the West Virginia Ordnance Works at Point Pleasant for the War Department. General assigned 250 of its people to the project and turned out 45 million pounds of TNT a month.

Among the other wartime products were dyes for military clothing and rescue markers; DDT; anti-malarial pharmaceuticals; and anhydrous hydrofluoric acid for aviation gasoline.

In the years since the war, Allied has steadily increased its capital spending -- some $600 million from 1950 to 1957 -- for additional plants for its basic chemicals and for its newer, upgraded lines.

Research programs have been accelerated and eight new research centers established. Research expenditures have grown from $8 million a decade ago to $17.5 million a year.

Allied's Central Research Laboratory, built at Morristown, New Jersey, in 1948, works on projects designed to furnish the Company with a continuing supply of products and processes for commercialization.

In the past decade Allied rebuilt or constructed new research centers for all of its divisions, each with the most up-to-date laboratory equipment. Divisional laboratories work in close contact with the Central Research Laboratory to follow projects through to completion in their particular spheres of interest. While the various laboratories concern themselves in product areas of their own divisions, they are not limited to a particular field, and varied research is carried on throughout the entire Company.

One of the significant achievements of Company research is a polyamide fiber known as Caprolan, introduced in 1954. Allied's fiber is nylon-6 type, based on epsilon caprolactam.

National Aniline Division makes the monomer at a plant in Hopewell, Virginia. Principal raw material, synthetic phenol, is made by the cumene process at Allied's Frankford Works in Philadelphia. Indicative of Allied's close integration is the fact that all chemicals used for caprolactam are made within the Company. A by-product of the unique process is ammonium sulfate.

Fiber made from caprolactam has exceptional abrasion resistance and acceptance of dyes. Its toughness recommends it for many industrial uses. Some of the monomer is sold to others and some polymerized for plastic molding resins.

Allied is in the forefront of development of diisocyanates, key ingredients for urethane foams. National Aniline's research center at Buffalo and its new plant at Moundsville, West Virginia, make Allied a major contender in this rapidly developing plastics field.

Moundsville, incidentally, is another excellent example of integration of facilities, which characterizes Allied's operations. Seventy miles south of Pittsburgh, on the Ohio River, Moundsville is the location of Solvay's plant for chlorine, caustic soda, vinyl chloride and chlorinated methanes. Making use of waste hydrogen from Solvay's electrolytic cells, National Aniline's adjacent plant produced aniline for the first time in this country by catalytic hydrogenation of nitrobenzene -- a process which has established new standards of purity. Reception of the product proved so favorable that the plant's capacity has been doubled since it went on stream in 1954.

Moundsville was also selected for National's plant for diisocyanates because of the similarity in manufacture to the aniline technology and the ready access to basic raw materials.

Another new development is General Chemical Division's plant for uranium hexafluoride nearing completion at Metropolis, Illinois. General has been an important supplier of products for the Atomic Energy Commission -- among them nitric and hydrofluoric acids, and aluminum nitrate. This new Metropolis plant will be the first privately owned facility for refined uranium salts under AEC contract.

Long one of the leaders in fluorine research, General has developed a line of fluorinated hydrocarbons for refrigerants and aerosol propellants.

Elemental fluorine and a number of other Allied chemicals, such as nitrogen tetroxide, are being used extensively in rocket and missile experiments.

In 1953, Allied added chrome chemicals to its industrial line with the acquisition of Mutual Chemical Company of America. With Mutual a part of Allied, we can now trace one phase of our history back to 1827, for it was in that year that Isaac Tyson began the mining of chromite ore, near Baltimore, and established the firm which later became Mutual Chemical.

Also in 1953, in line with its program to broaden participation in the plastics industry, Allied purchased Libbey-Owens-Ford's Plaskon Division -- now a part of the new Plastics and Coal Chemicals Division. Allied's output for plastics cover the whole range from basic raw materials to phenolic and alkyd resins, melamine compounds, urea-formaldehyde compounds and polyesters.

Other more recent additions to the Company's product lines are polyethylenes; ethylene oxide and glycol; ethanolamines; hydrogen peroxide; and phthalonitrile.

With some 3,000 products Allied's present diversity is a natural outgrowth of its long connection with American industry's chemical requirements and technological progress. Its seasoned manufacturing skills and research efforts have made notable contributions to the industrial economy.

Two thousand years ago, a Greek philosopher said, "It is indeed a desirable thing to be well descended, but the glory belongs to our ancestors."

Fortunately, in an industry as dynamic as the chemical industry there is a continuing challenge for every generation.

At Allied Chemical, research has the highest priority and we hope that our contributions in the future will bear favorable comparison with the pioneer work of Major Samuel Barrett, Dr. William H. Nichols and others who helped establish the Company as a diversified producer of chemicals basic to America's progress.

EXHIBIT 3

I N D E X

property sold
to Phelps Dodge
see Purchase & Sale Agreement, dated
7/-2/54

THIS INDENTURE made this 16th day of June, 1948, between ALLIED CHEMICAL & DYE CORPORATION, a corporation organized under the laws of the State of New York, hereinafter called the "Landlord," and Phelps Dodge Refining Corporation, a corporation organized under the laws of the State of New York, hereinafter called the "Tenant,"

W I T N E S S E T H :

The Landlord hereby leases to the Tenant the following premises, to wit: A tract of land containing approximately 43,200 square feet located at Laurel Hill, Long Island, as shown on a blue print prepared by Phelps Dodge Refining Corporation, dated May 15th, 1948, and bearing the number D-5219, attached hereto, marked Exhibit A and made a part hereof, with the appurtenances thereto, for the term of one year to commence from the first day of July, 1948, at the annual rental of $1,200.00; said rental to be paid in equal monthly payments in advance, the first payment to be made upon the execution hereof, and subsequent payments to be made on the first day of August, 1948, and of each succeeding month during the term or any extension thereof, with the option to the Tenant to extend said term from year to year thereafter at the same rental; provided, however, that the Landlord may, on or before the last day of any month during the term hereof, or any extension thereof, terminate this lease as of the end of the second ensuing month, by giving to the Tenant notice in writing to that effect.

The Tenant covenants with the Landlord as follows:

1. To pay to the Landlord the said rent on the first day of each month as hereinabove specified.

2. That in addition to the rental so specified the Tenant shall pay to the Landlord the rent or charge, which may

during the demised term, be assessed or imposed for the water used or consumed in or on the said premises, whether determined by meter or otherwise, as soon as and when the same may be assessed or imposed, and will also pay the expenses for the setting of a water meter in the said premises should the latter be required. If such rent or charge or expenses are not so paid the same shall be added to the next installment of rent thereafter to become due.

3. That the Tenant will not assign, mortgage or pledge this Lease nor let or underlet the whole or any part of the said premises, nor make any alterations therein without the written consent of the Landlord under the penalty of forfeiture and damages; and the Tenant will not occupy or use the said premises, nor permit the same to be occupied or used for any business deemed extra hazardous on account of fire or otherwise, without the like consent under the like penalty. In the event of a breach thereof, the term herein shall immediately cease and determine at the option of the Landlord as if it were the expiration of the original term.

4. That the Tenant will permit the Landlord, or the Landlord's representative, to visit said premises at any time for the purpose of seeing that the subsurface drains and other structures are in good condition.

5. That the Tenant will comply with all the requirements of the Board of Health, Municipal and State Authorities and Police and Fire Departments and of the Federal Government and of any and all their Departments and Bureaus applicable to said premises, and will not create or permit any nuisance in the premises hereby leased.

6. That the Tenant will use said leased premises as a parking space for parking cars owned or operated by its employees at its Laurel Hill plant.

7. The Tenant will erect a suitable fence around said premises and will do such grading, leveling and make such other improvements as may be necessary to prepare said premises for use as a parking space, and at the expiration or termination of this lease, the Tenant will quit and surrender the premises hereby demised in as good state and condition as reasonable use and wear thereof will permit, damages by the elements excepted.

8. The Tenant hereby assumes all risk of use and occupancy of said premises by itself and its employees and undertakes to indemnify and save and keep harmless the Landlord from and against any and all loss, damage, cost or expense which the Landlord may suffer or sustain or in any wise be subjected to, either on account of injuries, including death, or loss accruing to the Landlord or its employees or property, or property in its or their possession or control, or on account of injuries to person, including death, or to property sustained by the Landlord or any other person and arising out of and resulting from or in any manner caused by the use or occupancy of the demised premises by the Tenant and/or the performance or non-performance by the Tenant of its obligations hereunder.

And the Landlord covenants that the Tenant on paying said yearly rent and performing the covenants aforesaid, shall and may peacefully and quietly have, hold and enjoy the said demised premises for the term and on the conditions aforesaid, provided, however, that this covenenat shall be conditioned upon the retention of title to the premises by the Landlord.

AND IT IS MUTUALLY UNDERSTOOD AND AGREED that the covenants and agreements contained in the within lease shall be binding upon the parties hereto and upon their respective successors, legal representatives and assigns.

IN WITNESS WHEREOF, the parties have interchangeably set their hands and seals or caused these presents to be signed by their proper corporate officers and caused their proper corporate seals to be hereto affixed the day and year first above written.

ALLIED CHEMICAL & DYE CORPORATION,

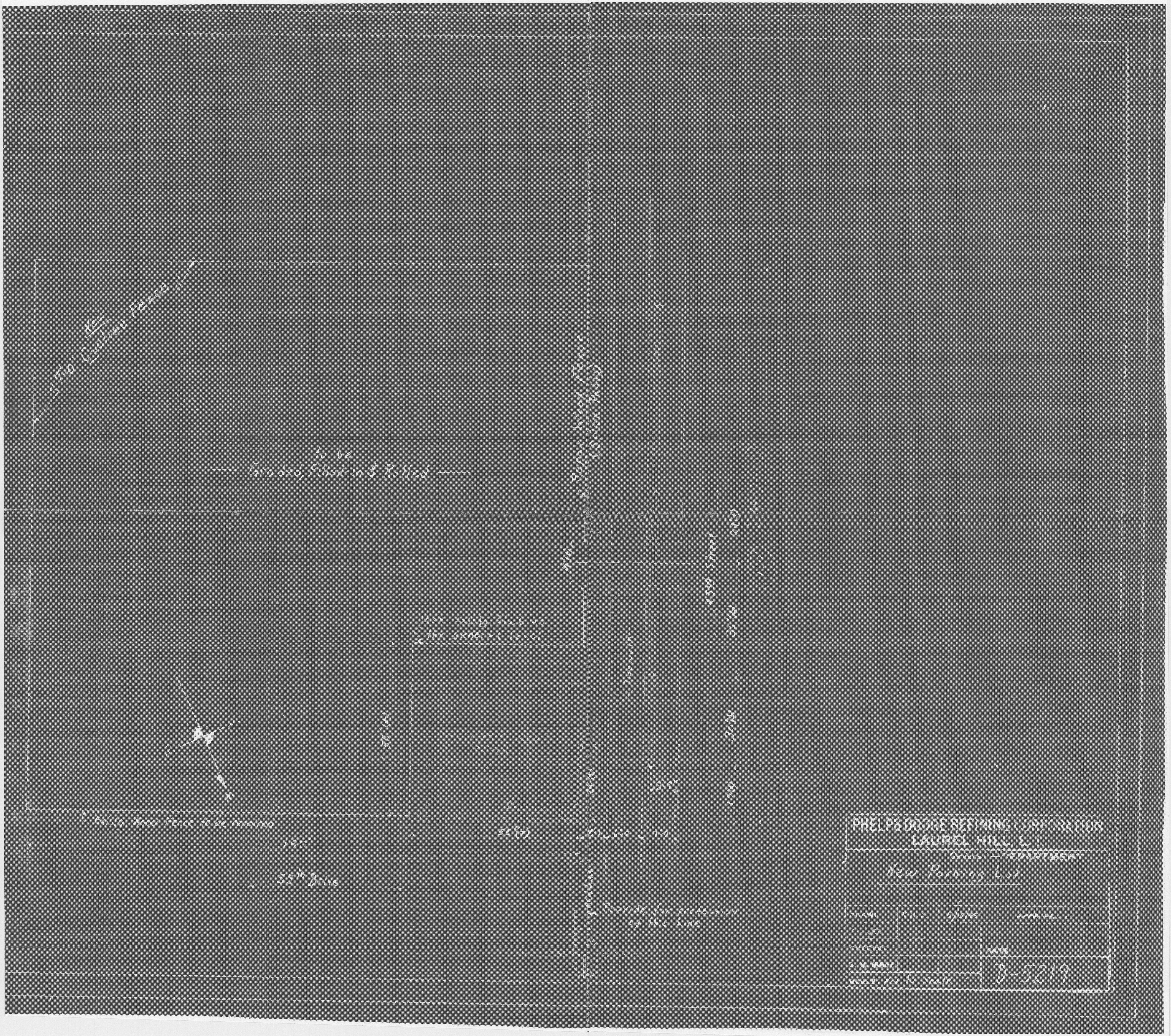
By F. W. Nichols
Vice President
General Chemical Division

Attest:
Richard F. Hansen
Assistant Secretary.

PHELPS DODGE REFINING CORPORATION,

By [signature]

Attest:
[signature]
Secretary.



New
7'-0" Cyclone Fence
Repair Wood Fence
(Splice Posts)
to be
Graded, Filled-in & Rolled
14'(±)
24'(±)
36'(±)
30'(±)
17'(±)
43rd Street
Use existg. Slab as
the general level
Sidewalk
W.
E.
N.
55'(±)
Concrete Slab
(existg)
24'(±)
3'-9"
Brick Wall
Existg. Wood Fence to be repaired
180'
55'(±)
2'-1
6'-0
7'-0
55th Drive
Red Line
Provide for protection
of this Line
PHELPS DODGE REFINING CORPORATION
LAUREL HILL, L. I.
General — DEPARTMENT
New Parking Lot.
DRAWN R.H.S. 5/15/48
APPROVED
TRACED
CHECKED
DATE
B. M. MADE
SCALE: Not to Scale
D-5219

EXHIBIT 4

GENERAL CHEMICAL COMPANY

LAUREL HILL RESEARCH LABORATORY

23-B-1

CERTIFICATE OF ANALYSIS

Copy Mr. W.C. Kramer 6/4/28

Laurel Hill, L. I., N. Y. June 4, 1928.

L. H. Sample No. A-1238

Testing Order No. A-1238

This is to certify that 1 sample of Acid Salts

submitted to this Laboratory for test 6-4-28

marked above, "Amer.Oil & Supply Co. - sample from Seton Leather Co."

said to represent above, Calco Chemical Co.'s product.

contains:--

The above material is Nitre Cake.
It contains 36% free acid as H_2SO_4.

Research Division (2)
AEC:MRS
Analysis by J. Lachman

Manager

GENERAL CHEMICAL COMPANY.

LAUREL HILL WORKS.

GENERAL OFFICE
35 BROAD STREET, NEW YORK.

Laurel Hill, Borough of Queens, N. Y., July 11th, 1905.

Mr. W.C. Ferguson,

General Chemical Co.,

Laurel Hill, L.I.

Dear Sir;

During my vacation I visited one of the creameries of the McDermott Bunger Dairy Co. at Pineville, N.Y. where our acid (Oil of Vitriol) is used for the separation of casein from milk. At this creamery about 15,000 lbs. of milk are treated each day using 35 to 40 lbs. of Sulphuric acid. The casein (2000 lbs.) which separates in the acid solution is washed with hot water to remove the acid is pressed into cakes and shipped to a factory where it is ground into flour. Since only a dilute acid solution is required it seems possible that Nitre Cake may be used for this purpose. The sodium sulphate as well as the free acid acting as a precipitant.

The above Company operate a number of creameries and if the use of Nitre Cake is found practicable it may prove an outlet for some of this by-product.

Yours truly,

H. B. Bishop

3C

EXHIBIT 5

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

DMJ ASSOCIATES, L.L.C., *Plaintiff,* vs. CARL A. CAPASSO; BASF CORPORATION; CHEMICAL LEAMAN TANK LINES, INC.; PROCTER & GAMBLE HAIRCARE LLC; EXXON MOBIL CORPORATION; GENERAL DYNAMICS CORPORATION; RUSSELL W. MAHLER; REVIEW SUPPLIES, INC.; QUANTA RESOURCES CORPORATION; THE HITCHCOCK GAS ENGINE COMPANY; THE STANLEY WORKS; NANCO CONTRACTING CORP.; UNDERGROUND EQUIPMENT CO., LTD.; ROCKWELL AUTOMATION, INC.; DAIMLERCHRYSLER CORPORATION; FORD MOTOR COMPANY; INGERSOLL-RAND COMPANY; UNITED TECHNOLOGIES CORPORATION; MERRILL LYNCH & CO., INC.; PARIBAS NORTH AMERICA INC. AS INDEMNITOR OF MERRILL LYNCH & CO., INC. AND MERRILL LYNCH MONEY MARKETS, INC.; ALCOA INC. f/k/a ALUMINUM COMPANY OF AMERICA; ALLIED WASTE INDUSTRIES, INC. (INCLUDING BROWNING-FERRIS INDUSTRIES, LLC OR "B.F.I."); BARRY CONTROLS DIVISION OF BARRY WRIGHT CORPORATION; BEAZER EAST, INC. F/K/A KOPPERS, COMPANY, INC.; BORGWARNER INC.; BP PRODUCTS NORTH AMERICA INC., INCLUDING BP AMOCO CORPORATION, ATLANTIC RICHFIELD CO., AND AMERICAN BRASS-ANACONDA (A/K/A OUTOKUMPU AMERICAN BRASS, INC.); BUCKEYE PIPE LINE COMPANY, L.P.; CARRIER CORPORATION; CATERPILLAR INC.; CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY (FOR ITSELF AND ON BEHALF OF CHEVRON U.S.A. INC., TEXACO INC., AND KEWANEE INDUSTRIES, INC.); COLONIAL PIPELINE COMPANY; CRUCIBLE MATERIALS CORPORATION (A/K/A CRUCIBLE SPECIALTY METALS) FORMERLY A DIVISION OF COLTEC INDUSTRIES; DANA CORPORATION; EVEREADY BATTERY CO., INC., SUCCESSOR TO CERTAIN OF THE BATTERY RELATED LIABILITIES OF UNION CARBIDE CORP.; GENERAL ELECTRIC COMPANY; GENERAL MOTORS CORPORATION; GOULDS PUMPS, INC.; HONEYWELL INTERNATIONAL	)	CV 97 7285 (DLI) (RML)

INC.; MACK TRUCKS, INC.; METROPOLITAN SUBURBAN BUS AUTHORITY D/B/A MTA LONG ISLAND BUS; MILLER BREWING COMPANY; NIAGARA MOHAWK POWER CORP.; NATIONAL GRID USA; NATIONAL GRID GROUP PLC; NORTHROP GRUMMAN CORPORATION (ON BEHALF OF NORTHROP GRUMMAN SYSTEMS CORPORATION) (GRUMMAN AEROSPACE CORP.) AND NORTHROP GRUMMAN SPACE & MISSION SYSTEMS CORPORATION (TRW INC.); PFIZER INC; WARNER-LAMBERT COMPANY LLC (ITS FORMER SCHICK-WILKINSON SWORD DIVISION); WARNER-LAMBERT COMPANY LLC (ITS FORMER WHOLLY-OWNED SUBSIDIARY NEPERA, INC.); PHARMACIA CORPORATION (ITS WHOLLY-OWNED SUBSIDIARY THE UPJOHN COMPANY); PUBLIC SERVICE ELECTRIC AND GAS COMPANY ("PSE&G"); REYNOLDS METALS COMPANY A/K/A REYNOLDS ALUMINUM; ROME STRIP STEEL COMPANY, INC.; SHELL OIL CO.; SIKORSKY AIRCRAFT CORPORATION; SPX CORPORATION, ON BEHALF OF ITS FORMER DIVISION, LEEDS & NORTHRUP; THE MILLER COMPANY (N/K/A T CORP.); AND VIACOM INC., SUCCESSOR BY MERGER TO CBS CORPORATION, FORMERLY KNOWN AS WESTINGHOUSE ELECTRIC CORPORATION.

Defendants.

FOURTH AMENDED COMPLAINT

Plaintiff, DMJ Associates, L.L.C. ("DMJ") hereby makes the following allegations upon knowledge as to itself and upon information and belief as to all other matters:

I. NATURE OF THE ACTION

1. This action involves real property located in Long Island, New York, and associated real and personal property interests. The property at issue includes three parcels, 37-30 through 37-32 Review Avenue, 37-98 Railroad Avenue and 38-20 Railroad Avenue/Newtown Creek ("the Capasso Property").

2. The defendants, in operating their businesses, used and handled hazardous substances, which were released and disposed of on the Capasso Property and on adjacent properties.

3. Preliminary investigation has detected released hazardous substances in, at, around and in the vicinity of the Capasso Property. These hazardous substances include, without limitation, polychlorinated biphenyls ("PCBs"), gasoline, oil, toluene and other solvents.

4. The plaintiff seeks immediate abatement of these uncontrolled releases because, unabated, these releases may pose an imminent and substantial endangerment to public health and the environment.

5. Besides posing a threat to human health and the environment, the contamination has damaged the Capasso Property by significantly reducing its market value.

6. The environmental contamination in, at, around and in the vicinity of the Capasso Property creates potential legal liabilities for future owners of the property. These potential liabilities result from the possibility of injury to neighboring property owners and visitors to the area, and the possibility of government lawsuits, as contaminants pass through the Capasso Property, move off-site and potentially discharge into surface water and groundwater. Upon information and belief, these potential liabilities will persist for as long as the Capasso Property remains contaminated or under threat of contamination.

7. The plaintiff is the holder in due course of a mortgage on the Capasso Property. The mortgage secures a loan issued to Carl A. Capasso, the owner of the Capasso Property. In or about June 1987, the loan was converted to a judgment. As of April 2004, the judgment, with interest, totaled approximately $25.7 million and interest is accruing on the judgment at a rate of 9% per annum pursuant to CPLR §5004.

8. Actual and threatened contamination of the Capasso Property has sharply reduced the value of the plaintiffs collateral and the loan it secures.

9. The plaintiff did not cause or contribute to the contamination that has rendered its

collateral insecure and reduced the value of the mortgage held by the plaintiff.

10. Because the contamination impairs the potential of the Capasso Property for productive use and development, the economy of the surrounding community is affected by the contamination.

11. The plaintiff seeks immediate abatement of the contamination in, at, around and in the vicinity of the Capasso Property in order to abate threats to human health and the environment, to restore the value of its collateral and to restore potentially valuable real property to beneficial use.

12. The defendants are companies and individuals whose commercial activities over many years involved the use of hazardous substances that, when released, are harmful to public health, the environment and real property value. Under both federal law and the common law, such entities are strictly liable and are responsible for abatement of the risks and damages associated with their activities.

II. JURISDICTION, VENUE AND NOTICE

13. This Court has jurisdiction over the subject matter of the plaintiff's First and Second Causes of Action pursuant to §7002(a) of the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §6972(a); §113(b) of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. §9613(b); the Declaratory Judgment Act, 28 U.S.C. §2201; and 28 U.S.C. §1331.

14. This Court has supplemental jurisdiction over the plaintiff's Third Cause of Action under 28 U.S.C. §1367 because the state law public nuisance claim is so related to the federal claims in this action that they form the same case and controversy under Article III of the U.S. Constitution.

15. Venue is proper in this Court pursuant to RCRA §7002(a), 42 U.S.C. §6972(a); CERCLA §113(b), 42 U.S.C. §9613(b); and 28 U.S.C. §1391(b) because the actual and threatened

endangerments, releases, injuries and damage at issue are taking place and have taken place in this district.

16. On or about September 4, 1997, the plaintiff, in a Notice of Endangerment, provided notice of the endangerments and actual and threatened injuries and damage alleged herein to: (1) the Administrator of the Environmental Protection Agency ("EPA"); (2) the State of New York ("the State"); and (3) each of the following defendants: BASF Corporation, Chemical Leaman Tank Lines, Inc., Clairol, Incorporated, Exxon Corp., General Dynamics Corporation, Russell W. Mahler, Review Supplies, Inc., Quanta Resources Corporation, The Hitchcock Gas Engine Company and The Stanley Works. The plaintiff's Notice of Endangerment complies fully with RCRA, §7002(b)(2)(A), 42 U.S.C. §6972(b)(2)(A), and 40 C.F.R. pt. 254.

17. The plaintiff waited at least ninety (90) days after receipt of the plaintiff's Notice of Endangerment by EPA, the State and each of the defendants who were sent a notice before filing this action.

18. On or before January 5, 1998, the plaintiff, in a Notice of Endangerment, provided notice of the endangerments and actual and threatened injuries and damage alleged herein to: (1) the Administrator of the Environmental Protection Agency ("EPA"); (2) the State of New York ("the State"); and (3) each of the following defendants: Rockwell International Corporation, Underground Equipment Co., Ltd., and Nanco Contracting Corp. The plaintiff's Notice of Endangerment complies fully with RCRA, §7002(b)(2)(A), 42 U.S.C. §6972(b)(2)(A), and 40 C.F.R. pt. 254.

19. The plaintiff waited at least ninety (90) days after receipt of the plaintiff's Notice of Endangerment by EPA, the State and each of the defendants who were sent a notice before asserting its first cause of action against Rockwell International Corporation, Underground Equipment Co., Ltd., and Nanco Contracting Corp.

20. On or about March 28, 2003, the plaintiff, in a Notice of Endangerment, provided notice of the endangerments and actual and threatened injuries and damage alleged herein to: (1) the Administrator of the Environmental Protection Agency ("EPA"); (2) the State of New York ("the State"); and (3) each of the following defendants: DaimlerChrysler Corporation, Ford Motor Company, Ingersoll-Rand Company and United Technologies Corporation. The plaintiff's Notice of Endangerment complies fully with RCRA, §7002(b)(2)(A), 42 U.S.C. §6972(b)(2)(A), and 40 C.F.R. pt. 254.

21. The plaintiff waited at least ninety (90) days after receipt of the plaintiff's Notice of Endangerment by EPA, the State and each of the defendants who were sent a notice before asserting its first cause of action against DaimlerChrysler Corporation, Ford Motor Company, Ingersoll-Rand Company and United Technologies Corporation.

22. On or about November 12, 2003, the plaintiff, in a Notice of Endangerment, provided notice of the endangerments and actual and threatened injuries and damage alleged herein to: (1) the Administrator of the Environmental Protection Agency ("EPA"); (2) the State of New York ("the State"); (3) defendant Paribas North America, Inc.; and (4) Merrill Lynch & Co., Inc. The plaintiff's Notice of Endangerment complies fully with RCRA, §7002(b)(2)(A), 42 U.S.C. §6972(b)(2)(A), and 40 C.F.R. pt. 254.

23. The plaintiff waited at least ninety (90) days after receipt of the plaintiffs Notice of Endangerment by EPA, the State and defendant Merrill Lynch & Co., Inc., before asserting its first cause of action against defendant Merrill Lynch & Co., Inc. Pursuant to a June 18, 2004 Stipulation and Order, Defendant Paribas North America, Inc. agreed with Merrill Lynch & Co., Inc., Merrill Lynch Money Markets, Inc., (together "Merrill Lynch") and Plaintiff DMJ Associates LLC to assume the liabilities of Merrill Lynch to the extent set forth in that Stipulation and Order, and that Paribas

North America should be substituted for Merrill Lynch as a defendant in this action.

III. LEGAL BACKGROUND TO CLAIMS ASSERTED BY PLAINTIFF

National Environmental Policy

24. The National Environmental Policy Act, one of the first federal environmental statutes, mandates that "to the fullest extent possible" federal "public laws . . . shall be interpreted" to: (1) "promote efforts which will prevent or eliminate damage to the environment"; (2) "fulfill the responsibilities of each generation as trustee of the environment for succeeding generations"; (3) "assure for all Americans safe, healthful, productive, and esthetically and culturally pleasing surroundings"; and (4) "attain the widest range of beneficial uses of the environment without degradation, risk to health or safety, or other undesirable and unintended consequences." 42 U.S.C. §4332 (emphasis added); id. §4321, 4331(b)(1)-(3). Congress declared these policies in recognition of "the critical importance of restoring and maintaining environmental quality." Id. §4331(a). All federal laws, including RCRA and CERCLA, must be interpreted in light of these policies.

The Resource Conservation and Recovery Act ("RCRA")

25. Congress intended RCRA to protect valuable real property from damage from mismanaged hazardous wastes, finding that "land is too valuable a national resource to be needlessly polluted by discarded materials . . . ." 42 U.S.C. §6901(b)(1). Congress also intended RCRA to protect ground water and surface water from damage and to protect human health, id. §6801(b)(4), (5).

26. RCRA §7002, under which the plaintiff brings a claim in this action, is RCRA's citizen enforcement provision. Section 7002(a) authorizes "any person" to seek redress in federal court for potential risks posed to public health and the environment by hazardous and solid waste. 42 U.S.C. §6972(a)(1)(B). The term "any person" in RCRA's citizen suit provision is a

congressional authorization of "remarkable breadth," giving citizen suit plaintiffs the authority to bring such suits on their own behalf and as "private attorneys general", cf., Bennett v. Spear, 117 S.Ct. 1154 (1997) (construing the phrase "any person" in the context of the Endangered Species Act's citizen suit provision).

27. RCRA §7002(a) provides for three kinds of citizen enforcement: (1) suits to enforce RCRA requirements, regulations, permits and orders, 42 U.S.C. §6972(a)(1)(A); (2) mandamus-like suits to force EPA to perform nondiscretionary duties, id. §6972(a)(2); and (3) public nuisance-like suits to abate potential risks to the public health and environment, id. §6972(a)(1)(B). The instant action falls within this third type of citizen enforcement.

28. Congress based this third type of citizen suit--under RCRA §7002(a)(1)(B)--on EPA's "imminent hazard authority" under RCRA §7003, 42 U.S.C. §6973, and intended this type of citizen suit to build on "common law public nuisance remedies. "*Middlesex City Board of Chosen Freeholders v. New Jersey*, 645 F. Supp. 715, 721-22 (D. N.J. 1986). The gravamen of such a suit is a potential endangerment to health or environment rather than a statutory violation.

29. Any person may bring a lawsuit under RCRA §7002(a)(1)(B) when: (1) "solid or hazardous waste" (2) "may present an imminent and substantial endangerment to health or the environment" and (3) the defendant falls within one of the categories of entities that Congress deemed liable for taking abatement action or "such other action as may be necessary."

30. The persons declared liable by Congress for potential endangerments under RCRA §7002(a)(1)(B) are entities that contributed to "past or present handling, storage, treatment, transportation, or disposal" of the solid or hazardous waste at issue. These entities specifically include "any past or present generator, past or present transporter, or past or present owner or operator of a treatment, storage, or disposal facility." 42 U.S.C. §6972(a)(1)(B).

31. Under RCRA §1004(27), subject to limited exceptions not applicable to this case, “"solid waste" is any garbage, refuse, sludge from a waste treatment plant, water supply treatment plant, or air pollution control facility and other discarded material, including solid, liquid, semisolid, or contained gaseous material resulting from industrial, commercial, mining, and agricultural operations, and from community activities,” 42 U.S.C. §6903(27).

32. Under RCRA §1004(5), "hazardous waste" is:

> a solid waste, or combination of solid wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may:
>
> (A) cause, or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness; or
>
> (B) pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported or disposed of, or otherwise managed.

42 U.S.C. §6903(5).

33. The administrative regulations promulgated under RCRA contain additional definitions of hazardous and solid waste. 40 C.F.R. pt. 261. However, for purposes of RCRA §7002(a)(1)(B) citizen suits, substances qualify as solid or hazardous waste when the statutory definitions (i.e., those set forth in RCRA §1004(5) and (27)) apply. 40 C.F.R. §261.1(b)(2); Connecticut Coastal Fishermen's Ass'n v. Remington Arms Co., 989 F.2d 1305, 1315 (2d Cir. 1993).

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA")

34. Congress enacted CERCLA "with the expansive, remedial purpose of ensuring 'that those responsible for any damage, environmental harm, or injury from chemical poisons bear the costs of their actions.' . . . . One of CERCLA's primary goals is to extend liability to all those involved in creating harmful environmental conditions." Schiavone v. Pearce, 79 F.3d 248, 253 (2d

Cir. 1996) (citations omitted).

35. CERCLA §107(a)(1)-(4)(B), under which the plaintiff brings a claim in this action, empowers "any . . . person" to recover "necessary costs of response" incurred "consistent with the national contingency plan," plus interest. 42 U.S.C. §9607(a)(1)-(4)(B). Subject only to narrow defenses and limitations of liability set forth in CERCLA, these costs may be recovered "notwithstanding any other provision or rule of law." In the event of (1) a release or threatened release, (2) from a facility, (3) of a hazardous substance, (4) which causes incurrence of response costs, the person incurring costs can recover from any entity that falls within the four categories of parties deemed liable by Congress. *Id.*

36. The four categories of parties that Congress deemed liable for cleanup costs under CERCLA include the following entities whose commercial activities have involved hazardous substances: (1) owners and operators of polluting facilities; (2) persons who owned or operated such facilities at the time hazardous substances were disposed of there; (3) persons "who by contract, agreement, or otherwise arranged" for disposal, treatment or transport of hazardous substances; and (4) transporters who selected disposal or treatment sites. CERCLA §107(a)(1)-(4), 42 U.S.C. §9607(a)(1)-(4).

37. Substances are "hazardous substances" under CERCLA if they appear on a list published at 40 C.F.R. §302.4, which EPA promulgated pursuant to CERCLA. CERCLA's definition of hazardous substances also includes substances that EPA has listed, or with respect to which EPA has taken action, under a variety of other environmental laws. 40 C.F.R. §9601(14)(A), (C)-(F).

38. Most or all of the RCRA hazardous and solid wastes at issue in this litigation also qualify as CERCLA hazardous substances.

The National Contingency Plan ("NCP")

39. In CERCLA §105, Congress required EPA to publish, in the national contingency plan ("NCP"), 40 C.F.R. pt. 300, "methods for evaluating . . . and remedying any releases or threats of releases [of hazardous substances] . . . which pose substantial danger to the public health or the environment." 42 U.S.C. §9605(a). Subpart H of the NCP provides the requirements for private party cleanups. 40 C.F.R. §300.700.

40. Under CERCLA §106, EPA may issue abatement orders when there "may be an imminent and substantial endangerment." 42 U.S.C. §9606. CERCLA §106(c) requires EPA to exercise this authority "consistent with the national hazardous substance response plan"--which is the NCP. *See* CERCLA §105(a), 42 U.S.C. §9605(a).

41. The NCP is the only comprehensive set of regulations promulgated by EPA to govern the investigation and abatement of environmental contamination. Accordingly, the most reliable response to hazardous and solid wastes that "may present an imminent and substantial endangerment to health or the environment" within the meaning of RCRA §7002(a)(1)(B) is to develop and follow an "NCP-compliant" plan to investigate, evaluate and abate the actual and threatened endangerments, releases, injuries and damage.

Public Nuisance

42. A common law public nuisance consists, inter alia, of "conduct or omissions which offend, interfere with or cause damage to the public in the exercise of rights common to all in a manner such as to offend public morals, interfere with use by the public of a public place or endanger or injure the property, health, safety or comfort of a considerable number of persons." Copart Indus. Inc. v. Consolidated Edison Co., 362 N.E.2d. 968, 971 (1977) (emphasis added) (citations omitted). Public nuisance actions lie for potential endangerments, since authorities "ought not to wait until

some citizen is sick or dead before they prevent or abate the nuisance tending to the injurious result." New York Trap Rock Corp. v. Town of Clarkstown, 85 N.E.2d 873, 879 (1949).

43. Liability for abatement of a public nuisance attaches "irrespective of negligence or fault." *See* State of New York v. Shore Realty Corp., 759 F.2d 1032, 1051 (2d Cir. 1985). Even activity that complies with all applicable laws and regulations may be enjoined as a public nuisance. State v. Waterloo Stock Car Raceway, 409 N.Y.S.2d 40, 44-45 (N.Y. Sup. Ct. 1978).

44. Generators of solid or hazardous waste or hazardous substances may be held liable for abatement under the doctrine of public nuisance, regardless of whether they own the property on which the nuisance is located. *See* State v. Schenectady Chemicals, Inc., 459 N.Y.S.2d 971, 977 (N.Y. Sup. Ct. 1983), aff'd in pertinent part 479 N.Y.S.2d 1010 (N.Y. App. Div. 1984).

45. A condition that is unlawful even if created with the utmost care is a nuisance per se. McFarlane v. City of Niagara Falls, 160 N.E. 391, 391-92 (1928) (One "is not to [create a nuisance per se] at all, whether he is negligent or careful"). Causing or contributing to the uncontrolled release and migration of hazardous and solid waste and hazardous substances is a nuisance per se. State of New York v. Shore Realty Corp., 759 F.2d 1032, 1051 (2d Cir. 1985) (holding that the "release or threat of release of hazardous waste into the environment . . . is a public nuisance as a matter of New York law").

46. A private entity may maintain an action for public nuisance if it has suffered "special damage" from the nuisance, Copart Indus. Inc. v. Consolidated Edison Co., 362 N.E. 2d 968, 971 (1977), i.e., "if there is some injury peculiar to a plaintiff." Leo v. General Electric Co., 538 N.Y.S.2d 844, 846 (N.Y. App. Div. 1989).

IV. GENERAL FACTUAL ALLEGATIONS IN SUPPORT OF PLAINTIFFS CLAIMS

Environmental Contamination in, at, around and in the vicinity of the Capasso Property

47. The Capasso Property, including without limitation groundwater and surface water associated therewith, has suffered and continues to suffer environmental contamination with dangerous substances that have been discarded, released and abandoned. These substances include polychlorinated biphenyls (PCBs), gasoline, oil, toluene, ethyl benzene, 1,3-dichlorobenzene, 1,2-dichlorobenzene, 1,4-dichlorobenzene, xylene, chlorobenzene, tetrachloroethane, trichloroethane, 1,2- trichloroethane, benzene, chloroform and other compounds. These substances meet the legal definitions of hazardous waste and solid waste. Polychlorinated biphenyls (PCBs), toluene, ethyl benzene, 1,3-dichlorobenzene, 1,2-dichlorobenzene, 1,4-dichlorobenzene, xylene, chlorobenzene, tetrachloroethane, trichloroethane, 1,2- trichloroethane, benzene and chloroform, *inter alia*, meet the legal definition of hazardous substances.

48. The environmental contamination and damage in, at, around and in the vicinity of the Capasso Property began in or about 1970 and has been continuous and progressive since it began.

49. The hazardous wastes, solid wastes and hazardous substances in, at, around and in the vicinity of the Capasso Property have commingled to create a single and indivisible harm.

50. Upon information and belief, groundwater underlying the general area of the Capasso Property travels in a southwesterly direction, towards and into Newtown Creek, which borders the property on the south. Upon information and belief, this groundwater and Newtown Creek have the potential to carry hazardous and solid waste and hazardous substances off-site.

51. The New York Department of Environmental Conservation has assigned a "SD" classification to the surface waters of Newtown Creek. Class SD waters should be suitable for

fishing. 6 NYCRR §701.14. The Department has assigned groundwater in the area of the Capasso Property either class "GA" or "GSA." 6 NYCRR §701.18. These waters should be suitable to serve as a source of potable water or conversion to fresh potable waters. 6 NYCRR §701.15, .16.

52. Upon information and belief, due at least in part to the defendants' acts and omissions, surface waters and groundwater in the area of the Capasso Property fail to meet the standards associated with the SD, GA and GSA classifications and are not suitable for their designated potential uses.

53. The presence of uncontrolled hazardous and solid waste and hazardous substances at and near the Capasso Property may pose a significant risk of human exposure and resulting injury to health and will continue to pose such a potential risk until the contamination is abated. This hazardous and solid waste and these hazardous substances also pose potential hazards to quality of the surrounding environment.

Sources of Contamination

<u>The Quanta Facility</u>

54. The Capasso Property adjoins a property located at 37-80 Review Avenue, which is referred to in this Complaint as the "Quanta Facility."

55. From in or about 1970 until in or about 1982, the Quanta Facility was an active disposal site and transfer facility for substances generated primarily or exclusively off-site.

56. From in or about 1970 until in or about 1982, the Quanta Facility was also a waste oil recycling and storage facility.

57. During the operation of the Quanta Facility, substances were spilled and released into the environment.

58. Substances disposed of, spilled and released at the Quanta Facility consist of

discarded materials that, because of their chemical characteristics, may pose a substantial present or potential hazard to human health or the environment when improperly managed. Thus, the substances are hazardous and solid waste.

59. Substances disposed of, spilled and released at the Quanta Facility are listed at 40 C.F.R. §302.4 and thus are hazardous substances.

60. Upon information and belief, substances disposed of, spilled and released at the Quanta Facility migrated through the environment (including without limitation the soil and groundwater) and have come to be located at the Capasso Property.

61. Upon information and belief, substances disposed of, spilled and released at the Quanta Facility continue to migrate through the environment and continue to enter, endanger and contaminate the Capasso Property.

62. Upon occasion, the operators of the Quanta Facility may have disposed of substances directly on the Capasso Property from a pipe on an easement through the Capasso Property.

<u>The Capasso Property</u>

63. For periods beginning at least prior to January 1, 1960 until at least 1990, the businesses that operated on various parts of the Capasso Property included companies that used hazardous substances and generated solid and hazardous wastes. These businesses included a heavy machinery and construction equipment storage and maintenance operation.

64. Upon information and belief, businesses that operated on various parts of the Capasso Property allowed or suffered releases of substances into the soils and groundwater at and near the Capasso Property.

65. Upon information and belief, substances released on various parts of the Capasso Property constitute discarded materials that, because of their chemical characteristics, may pose a

substantial present or potential hazard to human health or the environment when improperly managed. Thus, the substances are hazardous and solid waste.

66. Upon information and belief, substances released on various parts of the Capasso Property are listed at 40 C.F.R. §302.4 and thus are hazardous substances.

The Parties and Their Relationships to the Environmental Contamination in, at, around and in the Vicinity of the Capasso Property

The Plaintiff

67. The plaintiff is a New York limited liability company and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

68. In a public auction conducted by European American Bank in December 1996, the plaintiff purchased a loan issued to Mr. Carl Capasso and his various business entities which was in default and was converted into a judgment. The bank note and the judgment were and have been secured by the Capasso Property.

69. Because of the environmental conditions on the Capasso Property, the plaintiff cannot effectively exercise its right to foreclosure and sale of the property because the property has little or no value in its contaminated condition. Thus the plaintiff's collateral has been severely impacted by the endangerment complained of herein.

The Owner/Operator Defendants

Companies Controlled by Carl A. Capasso

70. Review Supplies, Inc. is a New York corporation. It was formerly known as Nanco Concrete Corp.

71. Nanco Contracting Corp. is a New York corporation.

72. Underground Equipment Co., Ltd. is a New York corporation. It was formerly known

as Nanco Equipment Corp.

73. Review Supplies, Inc., Nanco Contracting Corp. and Underground Equipment Co., Ltd. are "persons" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

74. Carl A. Capasso operated and controlled several businesses on the Capasso Property, including Nanco Contracting Corp., Underground Equipment Co., Ltd. (formerly known as Nanco Equipment Corp.), Capasso Contracting Corp., and Review Supplies, Inc. (formerly known as Nanco Concrete Corp.).

75. Upon information and belief, Review Supplies, Inc., Nanco Contracting Corp. and Underground Equipment Co., Ltd. are and continue to be tenants at, and operators of, the Capasso Property.

76. Upon information and belief, Review Supplies, Inc., Nanco Contracting Corp. and Underground Equipment Co., Ltd. used and handled hazardous and solid wastes and hazardous substances in their operations, and allowed or suffered releases of hazardous and solid wastes and hazardous substances into the environment at and from the Capasso Property.

<u>Russell W. Mahler</u>

77. Russell W. Mahler is a natural person and Russell W. Mahler is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

78. Russell W. Mahler owned and operated a waste and oil recycling business on the Quanta Facility during the 1970s.

79. Russell W. Mahler operated his business on the Quanta Facility under numerous company names, including Sea Lion Corp., North East Oil Service, Inc., Ag-Met Oil Services, Inc., Newtown Refining Corp., Newtown Refining Corporation, Hudson Oil Refining Corporation, and Portland Holding Corporation ("the Mahler Companies").

80. Businesses owned, operated and controlled by Russell W. Mahler disposed of and allowed or suffered releases of hazardous and solid wastes and hazardous substances at and from the Quanta Facility.

81. Upon information and belief, some or all of the Mahler Companies' releases have contributed to environmental contamination in, at, around and in the vicinity of the Capasso Property.

Quanta

82. Quanta Resources Corporation ("Quanta") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

83. Quanta purchased the Quanta Facility and other assets of the Mahler Companies in 1980.

84. Quanta was an operator of the Quanta Facility from 1980 until 1981 and still owns the Quanta Facility.

85. Quanta disposed of solid and hazardous wastes and hazardous substances at and from the Quanta Facility.

86. On information and belief, some or all of Quanta's releases of hazardous substances have contributed to environmental contamination in, at, around and in the vicinity of the Capasso Property.

Paribas North America, Inc.

87. Pursuant to a June 18, 2004 Stipulation and Order, Defendant Paribas North America, Inc. agreed with Merrill Lynch and Plaintiff DMJ Associates LLC to assume the liabilities of Merrill Lynch to the extent set forth in that Stipulation and Order, and that Paribas North America should be

substituted for Merrill Lynch as a defendant in this action.

88. Merrill Lynch is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

89. On or about September 1984, Merrill Lynch purchased and merged into itself Becker Paribas Holdings Incorporated and its constituent corporations, including but not limited to A.G. Becker Paribas Incorporated f/k/a Warburg Paribas Becker Incorporated/A.G. Becker Incorporated (hereinafter "Becker").

90. Through the merger on or about September 1984, Merrill Lynch succeeded to the liabilities of Becker with respect to the Quanta Facility.

91. Becker was an operator of the Quanta Facility within the meaning of _United States v. Bestfoods_, 524 U.S. 51, 65 (1998), and/or the corporate veil between Quanta Resources Corporation and Becker may be pierced under the federal common law analysis articulated in _City of New York v. Exxon Corp._, 112 B.R. 540, 553 (S.D.N.Y.1990).

92. Becker was the 100% shareholder of Waste Recovery Incorporated, which was the 100% shareholder of Quanta Holding Corporation, which was the 100% shareholder of Quanta Resources Corporation, the owner of the Quanta Facility.

93. On information and belief, during the time period 1980 through 1981 Becker managed, directed or conducted operations of the Quanta Facility having to do with leakage or disposal of hazardous wastes, and decisions about compliance with environmental regulations, including but not limited to decisions regarding permits, licensing, compliance with consent orders, capital expenditures to meet these obligations, the types of waste streams Quanta would be involved with, cleanup of the Quanta Facility, efforts to sell the Quanta Facility, and ultimately, the decision to abandon the Quanta Facility in bankruptcy. At the time of the bankruptcy abandonment, the Quanta

Facility contained 106 tanks and over 70,000 gallons of toxic, PCB-contaminated oil in deteriorating and leaking containers. The decision to abandon the Quanta Facility in and of itself constitutes a release of hazardous substances within the meaning of 42 U.S.C. § 9601(22), and was made in contravention of state and federal regulations designed to protect public health and safety from the dangers of hazardous wastes, *Midlantic Nat. Bank v. New Jersey Department of Environmental Protection*, 474 U.S. 494, 507 (1986).

94. Becker was the exclusive source of initial funding for Quanta Resources Corporation, Quanta Holding Corporation and Waste Recovery Incorporated, and the primary if not exclusive source of operating capital for these corporations. These corporations were inadequately capitalized by Becker for the purposes for which they were organized: hazardous waste and waste oil transportation, treatment, handling and disposal. Becker knowingly refused to provide sufficient capital for the operations of Quanta Resources Corporation, including money necessary to clean up contaminated material at the Quanta Facility. Becker's decision to withhold funding forced Quanta Resources Corporation into bankruptcy.

95. Quanta Resources Corporation, Quanta Holding Corporation and Waste Recovery Incorporated were engaged in a single business. Jerry Rubenstein, who was President and CEO of Waste Recovery Inc., Chairman and Director of Quanta Holding Company, and Chairman and Director of Quanta Resources Corporation, has testified that he had no concern for where Quanta Resources Corporation was in the corporate structure, and considered these entities to be "one whole company."

96. On information and belief, Becker extensively and pervasively controlled these companies through such actions as, *inter alia*, determining who would serve as officers and directors of Waste Recovery Incorporated, dominating the board of Waste Recovery Incorporated with Becker

officers and directors, controlling all capital expenditures and approval for financing, and expressly conditioning the purchase of the Mahler Companies on Becker's "ability to control the expansion as well as divestment of any of the Waste Recovery operations."

97. The corporate assets of Becker, Waste Recovery Incorporated, Quanta Holding Corporation and Quanta Resources Corporation were intermingled through such mechanisms as Becker's consolidation with some or all of these corporations for tax purposes, Becker's assumption of Quanta Resources Corporation's $5,000,000 tax loss, and Becker's "loan" of substantial sums to Waste Recovery Incorporated, portions of which amounts were "reloaned" to Quanta Resources Corporation, and which "loans" have never been repaid.

98. On information and belief, Becker, Waste Recovery Incorporated, Quanta Holding Corporation and Quanta Resources Corporation failed to observe proper corporate formalities and separateness.

99. At least one of the named "officers and directors" of Waste Recovery Incorporated, Quanta Holding Corporation and Quanta Resources Corporation was a non-functioning officer and director.

<u>The Generator Defendants</u>

100. Alcoa Inc. f/k/a Aluminum Company of America; BASF Corporation; Beazer East, Inc. f/k/a Koppers, Company, Inc.; BorgWarner Inc.; Chemical Leaman Tank Lines, Inc.; DaimlerChrysler Corporation; General Motors Corporation; Dana Corporation; Exxon Mobil Corporation; Ford Motor Company; General Dynamics Corporation; Honeywell International Inc.; Ingersoll-Rand Company; Northrop Grumman Corporation (on behalf of Northrop Grumman Systems Corporation) (Grumman Aerospace Corp.) and Northrop Grumman Space & Mission Systems Corporation (TRW Inc.); Paribas North America Inc. as indemnitor of Merrill Lynch & Co.,

Inc. and Merrill Lynch Money Markets, Inc.; Procter & Gamble Haircare LLC; Quanta Resources Corporation; Reynolds Metals Company a/k/a Reynolds Aluminum; Rockwell Automation, Inc.; The Stanley Works; United Technologies Corporation; Carrier Corporation; and Sikorsky Aircraft Corporation; Allied Waste Industries, Inc. (including Browning-Ferris Industries, LLC or "B.F.I."); Barry Controls division of Barry Wright Corporation; BP Products North America Inc., including BP Amoco Corporation, Atlantic Richfield Co., and American Brass-Anaconda (a/k/a Outokumpu American Brass, Inc.); Buckeye Pipe Line Company, L.P.; Caterpillar Inc.; Chevron Environmental Management Company (for itself and on behalf of Chevron U.S.A. Inc., Texaco Inc., and Kewanee Industries, Inc.); Colonial Pipeline Company; Crucible Materials Corporation (a/k/a Crucible Specialty Metals) formerly a division of Coltec Industries; Eveready Battery Co., Inc., successor to certain of the battery related liabilities of Union Carbide Corp.; General Electric Company; Goulds Pumps, Inc.; Mack Trucks, Inc.; Metropolitan Suburban Bus Authority d/b/a MTA Long Island Bus; Miller Brewing Company; Niagara Mohawk Power Corp.; National Grid USA; National Grid Group PLC; Pfizer Inc; Warner-Lambert Company LLC (its former Schick-Wilkinson Sword Division); Warner-Lambert Company LLC (its former wholly-owned subsidiary Nepera, Inc.); Pharmacia Corporation (its wholly-owned subsidiary The Upjohn Company); Public Service Electric and Gas Company ("PSE&G"); Reynolds (Reynolds Metals Co. a/k/a Reynolds Aluminum); Rome Strip Steel Company, Inc.; Shell Oil Co.; SPX Corporation, on behalf of its former division, Leeds & Northrup; The Hitchcock Gas Engine Company; The Miller Company (n/k/a T Corp.); and Viacom Inc., successor by merger to CBS Corporation, formerly known as Westinghouse Electric Corporation., are collectively referred to in this Complaint as the "Generator Defendants."

101. The Generator Defendants sent hazardous and solid waste and hazardous substances into commerce for storage, transport and disposal.

102. Upon information and belief, hazardous and solid waste and hazardous substances sent into commerce by each Generator Defendant came to be located at and released from the Quanta Facility to cause and contribute to releases, threatened releases and potential endangerments at and near the Capasso Property.

103. Disposal, storage, transportation and treatment of solid and hazardous wastes and hazardous substances, of the type that came to be located at the Quanta Facility, was and is inherently dangerous work. The Generator Defendants failed to take proper precautions in selecting competent parties to do this work and failed to ensure that the work was done in a safe and reasonable manner and at an appropriate location.

104. By their continuing failure to act to address this situation, the Generator Defendants have allowed wastes to migrate from the Quanta Facility onto the Capasso Property and potentially beyond, and create a potential endangerment to public health and the environment at and in the vicinity of the Capasso Property.

Alcoa Inc. (f/k/a Aluminum Company of America)

105. Defendant, Alcoa Inc (f/k/a Aluminum Company of America ("Alcoa"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

106. On information and belief, Alcoa handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Allied Waste Industries, Inc. (including Browning-Ferris Industries, LLC or "B.F.I.")

107. Defendant, Allied Waste Industries, Inc. (including Browning-Ferris Industries, LLC or "B.F.I.") ("Allied"), is a corporation doing business in the State of New York and is a "person" as

that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

108. On information and belief, Allied handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Barry Controls division of Barry Wright Corporation

109. Defendant, Barry Controls division of Barry Wright Corporation ("Barry"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

110. On information and belief, Barry handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

BASF Corporation

111. Defendant BASF Corporation ("BASF") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

112. BASF or its predecessor in interest sent hazardous substances to the Quanta Facility.

113. BASF or its predecessor in interest handled, generated and arranged for the transport and treatment or disposal of at least 480,000 gallons of solid and hazardous waste and hazardous substances, which were transported to the Quanta Facility between at least 1978 and 1979.

114. The wastes sent by BASF or its predecessor to the Quanta Facility included oil sludge, 2-ethyl hexanol, phthalic anhydride, phthalic acid, maleic acid and 0-xylene.

Beazer East, Inc. f/k/a Koppers, Company, Inc.

115. Defendant Beazer East Inc. f/k/a Koppers Company ("Beazer") is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

116. On information and belief, Beazer's predecessor in interest, Koppers Company ("Koppers"), sent hazardous substances to the Quanta Facility.

117. On information and belief, Koppers handled, generated and arranged for the transport and treatment or disposal of at least 1.6 million gallons of solid and hazardous waste, which waste was transported to the Quanta Facility between at least 1978 and 1980.

118. On information and belief, the wastes sent by Koppers to the Quanta Facility included waste oils and waste water from coal tar processing which contained polynuclear aromatic hydrocarbons, ammonia, naptha, naphthalene, phenols, chloride, cyanide, sulfate, arsenic, copper, lead, iron, selenium and nickel.

BorgWarner Inc.

119. Defendant Borg Warner, Inc. ("BorgWarner") is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

120. On information and belief, BorgWarner and/or its predecessor in interest Morse Chain sent hazardous substances to the Quanta Facility either directly or via the Mahler Companies' facility located on Lodi Street in Syracuse, New York.

121. On information and belief, BorgWarner and/or its predecessor in interest Morse Chain handled, generated and arranged for the transport and treatment or disposal of at least 1.5 million gallons of solid and hazardous waste, which waste was transported to the Quanta Facility between at

least 1976 and 1980.

122. On information and belief, the wastes sent by BorgWarner to the Quanta Facility included hazardous wastes and hazardous substances.

BP Products North America Inc., including BP Amoco Corporation, Atlantic Richfield Co., and American Brass-Anaconda (a/k/a Outokumpu American Brass, Inc.)

123. Defendant, BP Products North America Inc., including BP Amoco Corporation, Atlantic Richfield Co., and American Brass-Anaconda (a/k/a Outokumpu American Brass, Inc.) ("BP"), is a Maryland corporation and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

124. On information and belief, BP handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Buckeye Pipe Line Company, LP

125. Defendant, Buckeye Pipe Line Company, LP ("Buckeye"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

126. On information and belief, Buckeye handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Carrier Corporation

127. Defendant, Carrier Corporation ("Carrier"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

128. On information and belief, Carrier handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Caterpillar Inc.

129. Defendant, Caterpillar Inc. ("Caterpillar"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

130. On information and belief, Caterpillar handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Chemical Leaman Tank Lines, Inc.

131. Defendant Chemical Leaman Tank Lines, Inc. ("Chemical Leaman") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

132. Chemical Leaman sent hazardous substances to the Quanta Facility.

133. Chemical Leaman handled, generated and arranged for the transport and treatment or disposal of at least 150,000 gallons of solid and hazardous waste and hazardous substances, which were transported to the Quanta Facility between at least 1978 and 1979.

134. The wastes sent by Chemical Leaman to the Quanta Facility included heavy latex emulsions, formaldehyde, methyl methacrylate, naphthalene, diamine and methanol.

Chevron Environmental Management Company
(for itself and on behalf of Chevron U.S.A. Inc, Texaco Inc., and Kewanee Industries)

135. Defendant, Chevron Environmental Management Company (for itself and on behalf

of Chevron U.S.A. Inc., Texaco Inc., and Kewanee Industries) ("Chevron"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

136. On information and belief, Chevron handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Colonial Pipeline Company

137. Defendant, Colonial Pipeline Company, LP ("Colonial"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

138. On information and belief, Colonial handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Crucible Materials Corporation (a/k/a Crucible Specialty Metals)
formerly a division of Coltec Industries

139. Defendant, Crucible Materials Corporation (a/k/a Crucible Specialty Metals) formerly a division of Coltec Industries ("Crucible"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

140. On information and belief, Crucible handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

DaimlerChrysler Corporation

141. Defendant DaimlerChrysler Corp. ("DaimlerChrysler") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

142. DaimlerChrysler's predecessor in interest, Chrysler Corporation ("Chrysler"), sent hazardous substances to the Quanta Facility, both directly and via the Mahler Companies' facility located on Lodi Street in Syracuse, New York.

143. Chrysler handled, generated and arranged for the Mahler Companies to transport and treat or dispose of at least several million gallons of solid and hazardous waste and hazardous substances, some which was transported directly to the Quanta Facility between at least 1975 and 1980.

144. On information and belief, the wastes sent by Chrysler to the Quanta Facility included solvents, chlorinated hydrocarbons, chromic acid, hexavalent chromium, cyanide, aluminum, cadmium, cobalt, copper, iron, lead, nickel, and zinc.

Dana Corporation

145. Defendant Dana Corporation ("Dana") is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

146. On information and belief, Dana and/or its predecessor in interest, Turbo Products, sent hazardous substances to the Quanta Facility.

147. On information and belief, Dana and/or its predecessor in interest, Turbo Products, handled, generated and arranged for the transport and treatment or disposal of at least 840,000 gallons of solid and hazardous waste, which waste was transported to the Quanta Facility between at least 1976 and 1980.

148. On information and belief, the wastes sent by Dana and/or its predecessor in interest, Turbo Products, to the Quanta Facility included waste hydraulic oils, cutting oils and coolants, aluminum oxide slurry, and electrochemical machining slurry, containing aluminum, chromium, silver, copper, iron, nickel, cadmium and zinc.

Eveready Battery Co., Inc.,
successor to certain of the battery related liabilities of Union Carbide Corp.

149. Defendant, Eveready Battery Co., Inc., successor to certain of the battery related liabilities of Union Carbide Corp. ("Eveready"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

150. On information and belief, Eveready handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Exxon Mobil Corporation

151. Defendant Exxon Mobil Corporation is the successor in interest to Exxon Corp. ("Exxon") and Mobil Corporation. Defendant Exxon Mobil Corporation is a New Jersey corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

152. Exxon sent hazardous substances to the Quanta Facility.

153. Exxon handled, generated and arranged for the transport and treatment or disposal of at least several million gallons of solid and hazardous waste and hazardous substances, which were transported to the Quanta Facility between at least 1975 and 1980.

154. The wastes sent by Exxon to the Quanta Facility included oil slop, heptane and hexane.

Ford Motor Company

155. Defendant Ford Motor Company ("Ford") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

156. Ford sent hazardous substances to the Quanta Facility, both directly and via the Mahler Companies' facility located on Lodi Street in Syracuse, New York.

157. Ford handled, generated and arranged for the Mahler Companies to transport and treat or dispose of at least several million gallons of solid and hazardous waste and hazardous substances, some which was transported directly to the Quanta Facility between at least 1977 and 1980.

158. The wastes sent by Ford to the Quanta Facility contained copper, chromium, arsenic, zinc, lead and cadmium.

General Dynamics Corporation

159. Defendant General Dynamics Corporation ("General Dynamics") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

160. General Dynamics sent hazardous substances to the Quanta Facility.

161. General Dynamics handled, generated and arranged for the transport and treatment or disposal of at least 400,000 gallons of solid and hazardous waste and hazardous substances, which were transported to the Quanta Facility between at least 1974 and 1976.

162. The wastes sent by General Dynamics to the Quanta Facility included sulfamic acid, hydraulic oil, trisoldium phosphate, methyl chloroform and methyl ethyl ketone.

General Electric Company

163. Defendant General Electric Company ("General Electric") is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

164. On information and belief, General Electric sent hazardous substances to the Quanta Facility from operations in Lynn, Massachusetts.

165. On information and belief, General Electric handled, generated and arranged for the transport and treatment or disposal of 99,500 gallons of solid and hazardous waste, which waste was transported to the Quanta Facility in 1974.

166. On information and belief, the wastes sent by General Electric to the Quanta Facility included hazardous wastes and hazardous substances.

General Motors Corporation

167. Defendant General Motors Corporation ("General Motors") is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

168. On information and belief, General Motors or its predecessor in interest sent hazardous substances from operations in Tonawanda, New York to the Quanta Facility either directly or via the Mahler Companies' facility located on Lodi Street in Syracuse, New York.

169. On information and belief, General Motors or its predecessor in interest handled, generated and arranged for the transport and treatment or disposal of at least a million gallons of solid and hazardous waste, which waste was transported to the Quanta Facility between 1975 and 1977.

170. On information and belief, the wastes sent by General Motors or its predecessor in

interest to the Quanta Facility included hazardous wastes and hazardous substances.

Gould Pumps

171. Defendant, Gould Pumps ("Gould"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

172. On information and belief, Gould, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Honeywell International Inc.

173. Defendant, Honeywell International Inc. ("Honeywell"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

174. On information and belief, Honeywell handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Ingersoll-Rand Company

175. Defendant, Ingersoll-Rand Company ("Ingersoll-Rand"), is a New Jersey corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

176. Ingersoll-Rand sent hazardous substances to the Quanta Facility, both directly and via the Mahler Companies' facility located on Lodi Street in Syracuse, New York.

177. Ingersoll-Rand handled, generated and arranged for the Mahler Companies to transport and treat or dispose of at least several million gallons of solid and hazardous waste and hazardous substances, some which was transported directly to the Quanta Facility between at least

1972 and 1980.

178. The wastes sent by Ingersoll-Rand to the Quanta Facility included waste oils, halogenated solvents, cadmium, chromium, copper, iron, lead, nickel and zinc.

Mack Trucks, Inc.

179. Defendant Mack Trucks, Inc. ("Mack Trucks") is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

180. On information and belief, Mack Trucks sent hazardous substances from operations in Allentown, Pennsylvania to the Quanta Facility either directly or via the Mahler Companies' facility located on Lodi Street in Syracuse, New York.

181. On information and belief, Mack Trucks handled, generated and arranged for the transport and treatment or disposal of approximately 300,000 gallons of solid and hazardous waste, which waste was transported to the Quanta Facility between at least 1974 and 1976.

182. On information and belief, the wastes sent by Mack Trucks to the Quanta Facility included hazardous wastes and hazardous substances.

Metropolitan Suburban Bus Authority d/b/a MTA Long Island Bus

183. Defendant, Metropolitan Suburban Bus Authority d/b/a MTA Long Island Bus ("Metropolitan"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

184. On information and belief, Metropolitan handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Miller Brewing Company

185. Defendant, Miller Brewing Company ("Miller Brewing"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

186. On information and belief, Miller Brewing handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Niagara Mohawk Power Corp., National Grid USA, National Grid Group PLC

187. Defendant, Niagara Mohawk Power Corp., National Grid USA, National Grid Group PLC ("Niagara"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

188. On information and belief, Niagara handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Northrop Grumman Corporation
(on behalf of Northrop Grumman Systems Corporation) (Grumman Aerospace Corp.) and
Northrop Grumman Space & Mission Systems Corporation (TRW Inc.)

189. Defendant, Northrop Grumman Corporation (on behalf of Northrop Grumman Systems Corporation (Grumman Aerospace Corp.) and Northrop Grumman Space & Missions Systems Corporation (TRW Inc.), ("Northrop"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

190. On information and belief, Northrop handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Pfizer Inc; Warner-Lambert Company LLC (its former Schick-Wilkinson Sword Division); Warner-Lambert Company LLC (its former wholly-owned subsidiary Nepera, Inc.); Pharmacia Corporation (its wholly-owned subsidiary The Upjohn Company)

191. Defendant, Pfizer Inc; Warner-Lambert Company LLC (its former Schick-Wilkinson Sword Division); Warner-Lambert Company LLC (its former wholly-owned subsidiary Nepera, Inc.); Pharmacia Corporation (its wholly-owned subsidiary The Upjohn Company) ("Pfizer"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

192. On information and belief, Pfizer handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Procter & Gamble Haircare LLC

193. Defendant Procter & Gamble Haircare LLC, is the successor in interest to Clairol, Incorporated ("Clairol"). Defendant Procter & Gamble Haircare LLC is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

194. Clairol sent hazardous substances to the Quanta Facility.

195. Clairol handled, generated and arranged for the transport and treatment or disposal of at least 220,000 gallons of solid and hazardous waste and hazardous substances, which were transported to the Quanta Facility between at least 1978 and 1979.

196. The wastes sent by Clairol to the Quanta Facility included metals, isopropyl alcohol, ammonia and ethanol.

Public Service Electric & Gas Company

197. Defendant, Public Service Electric & Gas Company ("PSE&G") is a New Jersey

corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

198. On information and belief, the predecessor in interest of Public Service Electric & Gas Company ("PSE&G") sent hazardous substances to the Quanta Facility.

199. On information and belief, PSE&G handled, generated and arranged for the transport and treatment or disposal of at least 69,000 gallons of solid and hazardous waste, which waste was transported to the Quanta Facility between at least 1974 and 1977.

200. On information and belief, the wastes sent by PSE&G to the Quanta Facility included waste oils and transformer fluids containing PCBs, sulfur, chloride, bromide, halogens, arsenic, cadmium, chromium, lead and nickel.

<u>Reynolds (Reynolds Metals Co. a/k/a Reynolds Aluminum)</u>

201. Defendant, Reynolds (Reynolds Metals Co. a/k/a Reynolds Aluminum) ("Reynolds"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

202. On information and belief, Reynolds handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

<u>Rockwell Automation Inc.</u>

203. Defendant Rockwell Automation, Inc., formerly known as Rockwell International Corporation, ("Rockwell") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

204. Rockwell sent hazardous substances to the Quanta Facility.

205. Rockwell handled, generated and arranged for the transport and treatment or disposal

of at least 263,745 gallons of coolants and oily waste water, which waste was transported to the Quanta Facility between at least 1974 and 1976.

206. The wastes sent by Rockwell to the Quanta Facility included hazardous wastes and hazardous substances.

Rome Strip Steel Co., Inc.

207. Defendant, Rome Strip Steel Co., Inc. ("Rome"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

208. On information and belief, Rome handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

Shell Oil Co.

209. Defendant, Shell Oil Co. ("Shell"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

210. On information and belief, Shell handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

SPX Corporation, on behalf of its former division, Leeds & Northrup

211. Defendant, SPX Corporation, on behalf of its former division, Leeds & Northrup ("Leeds & Northrup"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

212. On information and belief, Leeds & Northrup handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was

transported to the Quanta Facility during the time frame 1970 to 1982.

The Hitchcock Gas Engine Company

213. Defendant The Hitchcock Gas Engine Company ("Hitchcock") is a Connecticut corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

214. Hitchcock sent hazardous substances to the Quanta Facility.

215. Hitchcock handled, generated and arranged for the transport and treatment or disposal of at least 200,000 gallons of solid and hazardous waste and hazardous substances, which were transported to the Quanta Facility between at least 1974 and 1979.

216. The wastes sent by Hitchcock to the Quanta Facility included cyanide and heavy metals.

The Miller Company (n/k/a T Corp.)

217. Defendant, The Miller Company (n/k/a T Corp.) ("Miller Company"), is a corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

218. On information and belief, Miller Company handled, generated and arranged for the transport and treatment or disposal of hazardous wastes and hazardous substances which waste was transported to the Quanta Facility during the time frame 1970 to 1982.

The Stanley Works

219. Defendant The Stanley Works ("Stanley") is a Connecticut corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

220. Stanley sent hazardous substances to the Quanta Facility.

221. Stanley handled, generated and arranged for the transport and treatment or disposal of at least 882,000 gallons of solid and hazardous waste and hazardous substances, which were transported to the Quanta Facility between at least 1973 and 1979.

222. The wastes sent by Stanley to the Quanta Facility included cyanide, methyl ethyl ketone, benzene and xylene.

United Technologies Corporation

223. Defendant United Technologies Corporation ("UTC") is a Delaware corporation doing business in the State of New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

224. Predecessors in interest of UTC, including Pratt & Whitney, Carrier Corporation and Sikorsky Aircraft Corporation, sent hazardous substances to the Quanta Facility, both directly and via the Mahler Companies' facility located on Lodi Street in Syracuse, New York.

225. Predecessors in interest of UTC, including Pratt & Whitney and Carrier Corporation, handled, generated and arranged for the Mahler Companies to transport and treat or dispose of at least several million gallons of solid and hazardous waste and hazardous substances, some which was transported directly to the Quanta Facility between at least 1972 and 1979.

226. The wastes sent by predecessors in interest of UTC, including Pratt & Whitney, Carrier Corporation, and Sikorsky Aircraft Corporation to the Quanta Facility included waste oils, cyanide, zyglow, sulfuric acid, chlorinated solvents and kerosene.

Viacom Inc., successor by merger to CBS Corporation,
formerly known as Westinghouse Electric Corporation

227. Defendant Viacom Inc., successor by merger to CBS Corporation, formerly known as Westinghouse Electric Corporation ("Westinghouse") is a corporation doing business in the State of

New York and is a "person" as that term is defined in 42 U.S.C. §6903(15) and 42 U.S.C. §9601(21).

228. On information and belief, Westinghouse sent hazardous substances from its operations, including those located in Philadelphia, Pennsylvania, to the Quanta Facility.

229. On information and belief, Westinghouse handled, generated and arranged for the transport and treatment or disposal of at least 130,000 gallons of solid and hazardous waste, which waste was transported to the Quanta Facility between at least 1973 and 1975.

230. On information and belief, the wastes sent by Westinghouse to the Quanta Facility included hazardous wastes and hazardous substances.

V. FIRST CAUSE OF ACTION (RCRA)

(Asserted against defendants BASF Corporation, Chemical Leaman Tank Lines, Inc., Proctor & Gamble Haircare LLC, Exxon Mobil Corporation, General Dynamics Corporation, Russell W. Mahler, Review Supplies, Inc., Quanta Resources Corporation, The Hitchcock Gas Engine Company, The Stanley Works, Nanco Contracting Corp., Underground Equipment Co., Ltd., Rockwell Automation, Inc., DaimlerChrysler Corporation, Ford Motor Company, Ingersoll-Rand Company, United Technologies Corporation and Paribas North America)

231. The plaintiff re-alleges and incorporates by reference paragraphs 1 through 230.

232. Each defendant is a person or the successor to a person who has contributed to the handling, storage, treatment, transportation or disposal of hazardous or solid waste that may present an imminent and substantial endangerment to health or the environment.

233. The defendants have not stopped the potential endangerments and actual and threatened injuries and damage at issue. The potential endangerments and actual and threatened injuries and damage at issue are continuing and progressive and, upon information and belief, will persist until enjoined by this Court.

234. The defendants' liability under RCRA §7002(a), 42 U.S.C. §6972(a)(1)(B), is strict,

joint and several and retroactive.

235. Unless abated by order of the Court, the potential endangerment complained of will cause irreparable injury to the plaintiff.

236. Unless abated by order of the Court, the potential endangerment complained of will cause irreparable injury to the public and the environment in, at, around and in the vicinity of the Capasso Property.

237. Neither EPA nor the State of New York has commenced or is prosecuting diligently an action under RCRA §7003, 42 U.S.C. §6973; RCRA §7002(a)(1)(B), 42 U.S.C. §6972(a)(1)(B); or CERCLA §106, 42 U.S.C. §9606, to abate the endangerments at issue.

238. Neither EPA nor the State of New York is actually engaged in a removal action under authority of CERCLA §104, 42 U.S.C. §9604, to abate the endangerments at issue.

239. Neither EPA nor the State of New York has incurred costs to initiate a remedial investigation and feasibility study under CERCLA §104, 42 U.S.C. §9604, and is diligently proceeding with a remedial action under CERCLA to abate the endangerments at issue.

240. No responsible party is diligently conducting a removal action, remedial investigation and feasibility study or proceeding with a remedial action pursuant to a judicial or administrative order obtained by EPA under CERCLA §106, 42 U.S.C. §9606, or RCRA §7003, 42 U.S.C. §6973, to abate the endangerments at issue.

241. The plaintiff shall serve a copy of this complaint on the Attorney General of the United States and on EPA.

242. The plaintiff is entitled to relief under RCRA §7002(a), 42 U.S.C. §6972(a), restraining the defendants and requiring each of them, jointly and severally, to take such action as may be necessary to abate the potential endangerments at issue.

243. The plaintiff is also entitled to an order requiring the defendants to pay the plaintiff's costs of litigation, including reasonable attorney and expert witness fees, pursuant to RCRA §7002(e), 42 U.S.C. §6972(e).

VI. SECOND CAUSE OF ACTION (CERCLA)
(Asserted against all defendants)

244. The plaintiff realleges and incorporates by reference paragraphs 1 through 243.

245. The Capasso Property and the Quanta Facility are a "facility" within the meaning of CERCLA §101(9) because they are a site "where a hazardous substance has . . . come to be located." 42 U.S.C. §9601(9).

246. Releases and threatened releases of hazardous substances at and from the Capasso Property and the Quanta Facility have caused the plaintiff to incur necessary costs of response that are consistent with the NCP. Those costs include, without limitation, the development of a preliminary community relations plan pursuant to 40 C.F.R. §300.700(c)(6), 300.155, 300.415(m), and 300.430(c) to allow interested members of the public a full opportunity to exercise their rights to participate in cleanup decisions.

247. Defendant Quanta is liable under CERCLA as the current owner of the Quanta Facility, as a person who owned or operated the Quanta Facility at the time of disposal of hazardous substances at that property and as a person who transported hazardous substances to the Quanta Facility for treatment or disposal.

248. Pursuant to the June 18, 2004 Stipulation and Order, Defendant Paribas North America has assumed the liabilities of Merrill Lynch, which is liable under CERCLA because it succeeded, through merger, to the liabilities of Becker as a person who operated the Quanta Facility at the time of disposal of hazardous substances at that property, and as an entity whose assets may be

reached through piercing the corporate veil between Becker, Waste Recovery Incorporated, Quanta Holding Corporation and Quanta Resources Corporation.

249. Defendants Review Supplies, Inc., Nanco Contracting Corp. and Underground Equipment Co., Ltd. are liable under CERCLA as the current owners or operators of the Capasso Property, as persons who owned or operated the Capasso Property at the time of disposal of hazardous substances at that property, and persons who arranged for disposal or treatment of hazardous substances at the Capasso Property.

250. Defendant Russell W. Mahler is liable under CERCLA as a person who owned or operated the Quanta Facility at the time of disposal of hazardous substances at that facility, and as a person who arranged for disposal or treatment of hazardous substances at the Quanta Facility and the Capasso Property, and arranged for transport of hazardous substances to the Quanta Facility and the Capasso Property.

251. The Generator Defendants are liable under CERCLA as persons who by contract, agreement or otherwise arranged for disposal or treatment of hazardous substances at the Quanta Facility and the Capasso Property and arranged for transport of hazardous substances to the Quanta Facility and the Capasso Property.

252. On or about September 4, 1997, the plaintiff demanded in writing that the following defendants pay its response costs: BASF, Chemical Leaman, Clairol, Exxon, General Dynamics, Russell W. Mahler, Review Supplies, Inc., Hitchcock and Stanley.

253. On or before January 5, 1998, the plaintiff demanded in writing that the following defendants pay its response costs: Rockwell, Underground Equipment Co., Ltd., and Nanco Contracting Corp.

254. On or about March 28, 2003, the plaintiff demanded in writing that the following

defendants pay its response costs: Chrysler, Ford, Ingersoll-Rand and UTC.

255. On or about November 12, 2003, the plaintiff demanded in writing that Paribas North America, Inc. and Merrill Lynch pay its response costs.

256. The plaintiff is entitled to an award of its response costs, plus interest, pursuant to CERCLA §107(a)(1)-(4)(B), 42 U.S.C. §9607(a)(1)-(4)(B).

257. The plaintiff is entitled to a declaratory judgment that the defendants shall be liable for necessary future costs of investigation and cleanup consistent with the NCP in subsequent actions for further response costs, pursuant to CERCLA §113(g)(2), 42 U.S.C. §9613(g)(2).

VII. THIRD CAUSE OF ACTION (PUBLIC NUISANCE)
(Asserted against all defendants)

258. The plaintiff realleges and incorporates by reference paragraphs 1 through 257.

259. Each defendant's acts and omissions have unreasonably interfered and continue to unreasonably interfere with the public's right to safe and healthful surroundings.

260. Each defendant's acts and omissions also have unreasonably interfered and continue to unreasonably interfere with the public's right to productive surroundings that are consistent with economic vitality, alienation of property and the ability to put real property to the widest range of beneficial uses without undesirable and unintended consequences.

261. Each of the defendants has been provided with notice of the potential endangerments caused by the public nuisance at the Capasso Property and each defendant has been asked to abate the public nuisance at the Capasso Property. The defendants, however, have refused--either expressly or through silence and inaction--to properly and timely abate the nuisance.

262. By their continuing failure to act the defendants have allowed wastes to continue to migrate through the Capasso Property and, potentially, travel off-site. The continued and

uncontrolled migration of such waste through the environment is a condition that is unlawful, regardless of circumstances. The defendants' continuing failure to abate this nuisance creates a condition that, in its inherent nature, is so hazardous as to make ongoing and increasing damage to the public and environment so probable as to be almost a certainty.

263. The plaintiff has suffered special and particular damages from the endangerment and nuisance complained of because the contamination has impaired and continues to impair the collateral on its loan, causing significant economic loss. The full amount of plaintiff's damages will not be knowable until the public nuisance complained of by plaintiff has been abated by order of the Court.

264. Unless abated by order of the Court, the public nuisance complained of will cause irreparable injury to the plaintiff.

265. Unless abated by order of the Court, the public nuisance complained of will cause irreparable injury to the public and the environment in, at, around and in the vicinity of the Capasso Property.

VIII. PRAYER FOR RELIEF

WHEREFORE, the plaintiff prays for judgment as follows:

First Cause of Action

On its first cause of action, with respect to defendants BASF Corporation, Chemical Leaman Tank Lines, Inc., Proctor & Gamble Haircare LLC, Exxon Mobil Corporation, General Dynamics Corporation, Russell W. Mahler, Review Supplies, Inc., Quanta Resources Corporation, The Hitchcock Gas Engine Company, The Stanley Works, Nanco Contracting Corp., Underground Equipment Co., Ltd., Rockwell Automation, Inc., DaimlerChrysler Corporation, Ford Motor Company, Ingersoll-Rand Company, United Technologies Corporation and Paribas North America, the plaintiff asks this Court to:

A. Declare, pursuant to 28 U.S.C. §2201, that the Defendants are jointly and severally liable for taking all necessary action to investigate, abate and otherwise respond to potential endangerments associated with solid or hazardous wastes that are located at, may have passed through, or threaten to become located at or to pass through, the Capasso Property; and

B. Enter a mandatory injunction:

1. Ordering the Defendants, jointly and severally, to deposit with the Court an amount of money determined at trial to be sufficient to fund the plaintiff's development and implementation of a cost-effective plan, consistent with the NCP and such orders as may be entered by this Court, to *(1)* eliminate all unacceptable risks to the public and environment from the potential endangerment at, from or affecting the Capasso Property, and *(2)* restore the Capasso Property, as expeditiously as practicable, to a condition consistent with the widest range of beneficial and unrestricted use of that property and the surrounding area, and authorizing the plaintiff to use that money for those purposes; or

2. In the alternative, ordering the Defendants, jointly and severally, at their expense, to:

a. Develop and file with the Court a plan for an NCP-compliant investigation and evaluation, including but not limited to any necessary testing, monitoring and risk assessment, that will establish the nature and extent of the potential endangerment at, from or affecting the Capasso Property and evaluate alternative approaches to abatement in terms of: (1) overall protection of public health and the environment; (2) compliance with all applicable or relevant and appropriate state and federal standards and criteria; (3) long-term effectiveness; (4) reduction of toxicity, mobility or volume through treatment; (5) short-term effectiveness; (6) implementability; (7) cost; (8) projected acceptability to government regulators; and (9) projected acceptability to the community; and then

b. Conduct an NCP-compliant investigation and evaluation, consistent with such further orders as may be entered by this Court, that will establish the nature and extent of the potential endangerment, and evaluate alternative plans for abatement; and then

c. Provide the results of the investigation and evaluation to the public, for comment, and provide those results, and copies of all comments and a transcript of any public hearing, to this Court; and then

d. Implement a cost-effective, NCP-compliant abatement plan, consistent with such further orders as may be entered by this Court, to (1) eliminate all unacceptable risks to the public and environment from the potential endangerment at, from or affecting the Capasso Property, and (2) restore the Capasso Property, as expeditiously as practicable, to a condition consistent with the widest range of beneficial and unrestricted use of that property and the surrounding area; and

C. Order the Defendants, jointly and severally, to pay the plaintiff its costs of litigation, including but not limited to reasonable attorney and expert witness fees, as authorized by 42 U.S.C. §6972(e).

Second Cause of Action

On its second cause of action, with respect to all defendants, the plaintiff asks this Court to:

D. Declare, pursuant to CERCLA §113(g)(2), 42 U.S.C. §9613(g)(2), that the defendants are jointly and severally liable for any necessary costs of response, removal or remedial action incurred in connection with the Capasso Property in a manner consistent with the NCP; and

E. Declare, pursuant to CERCLA §113(g)(2), 42 U.S.C. §9613(g)(2), which abatement plan for actual and threatened releases at, from or through the Capasso Property is cost-effective, appropriate, necessary and consistent with the NCP and, thus, which abatement plan should be implemented; and

F. Order the defendants, jointly and severally, to pay the plaintiff an amount to be determined at trial to reimburse the plaintiff for its necessary costs of response incurred consistently with the NCP and pay the plaintiff pre-judgment interest at the rate mandated by Congress.

Third Cause of Action

On its third cause of action, with respect to all defendants, the plaintiff asks this Court to:

G. Declare, pursuant to 28 U.S.C. §2201, that the defendants are jointly and severally liable for taking all necessary action to investigate, abate and otherwise respond to the public nuisance at, from or affecting the Capasso Property; and

H. Enter a mandatory injunction:

1. Ordering the defendants, jointly and severally, to deposit with the Court an amount determined at trial to be sufficient to fund the plaintiff's development and implementation of a cost-effective plan, consistent with such orders as may be entered by this Court, to (1) eliminate all unacceptable risks to the public and environment from the potential endangerment at, from or affecting the Capasso Property, and (2) restore the Capasso Property, as expeditiously as practicable, to a condition consistent with the widest range of beneficial and unrestricted use of that property and the surrounding area, and authorizing the plaintiff to use that money for those purposes; or

2. In the alternative, ordering the defendants, jointly and severally, at their expense, to:

a. Develop and submit to the Court a plan for an investigation and evaluation, including but not limited to any necessary testing, monitoring and risk assessment, that will establish the nature and extent of the public nuisance at, from or affecting the Capasso Property and an evaluation of alternative approaches to abatement in terms of: (1) overall protection of public health and the environment; (2) compliance with all applicable and relevant and appropriate state and federal standards and criteria; (3) long-term effectiveness; (4) reduction of toxicity, mobility or volume through treatment; (5) short-term effectiveness; (6) implement ability; (7) cost; (8) state acceptance; and (9) community acceptance; and then

b. Conduct an investigation and evaluation, consistent with such further orders as may be entered by this Court, that will establish the nature and extent of the public nuisance, and evaluate alternative plans for abatement; and then

c. Provide the results of the investigation and evaluation to the public, for comment, and provide those results, and copies and a transcript of all comments, to this Court; and then

d. Implement a cost-effective abatement plan, consistent with such further orders as may be entered by this Court, to: (1) eliminate all unacceptable risks to the public and environment associated with the public nuisance at or affecting the Capasso Property, and (2) restore the Capasso Property, as expeditiously as practicable, to a condition consistent with the widest range of beneficial and unrestricted use of the property and the surrounding area.

I. Award plaintiff damages or restitution as appropriate for defendants' failure to take all necessary actions to investigate, abate and otherwise respond to the public nuisance at, from or affecting the Capasso Property.

All Causes of Action

On all of its claims for relief, the plaintiff asks this Court to:

K. Pierce the corporate veil of Quanta Resources Corporation to hold Merrill Lynch liable, by merger, for all liabilities of Becker, Waste Recovery Incorporated, Quanta Holding Company and Quanta Resources Corporation with respect to each of Plaintiff's causes of action;

L. Retain continuing jurisdiction of this action to the extent necessary and for as long as necessary to enforce and interpret, and to review the defendants' compliance with, this Court's orders; and

M. Grant it such other and further relief as the Court deems just and appropriate.

DMJ ASSOCIATES, L.L.C.

By: Barbara B Guibord
Barbara B. Guibord, Esq.

Dated: June 16, 2005

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EXHIBIT 6

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

DMJ ASSOCIATES L.L.C.,

Plaintiff,

v.

CARL A. CAPASSO; ALCOA INC. (f/k/a ALUMINUM COMPANY OF AMERICA); ALLIED WASTE INDUSTRIES INC. (INCLUDING BROWNING FERRIS INDUSTRIES, LLC OR "B.F.I".); BARRY CONTROLS DIVISION OF BARRY WRIGHT CORPORATION; BASF CORPORATION; BEAZER EAST, INC. f/k/a KOPPERS COMPANY, INC.; BORGWARNER INC.; BP PRODUCTS NORTH AMERICA INC. (INCLUDING BP AMOCO CORPORATION, ATLANTIC RICHFIELD CO., AND AMERICAN BRASS-ANACONDA (a/k/a OUTOKUMPU AMERICAN BRASS, INC.)); BUCKEYE PIPE LINE COMPANY, LP; CARRIER CORPORATION; CATERPILLAR INC.; CHEMICAL LEAMAN TANK LINES, INC.; CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY (FOR ITSELF AND ON BEHALF OF CHEVRON U.S.A. INC., TEXACO INC., AND KEWANEE INDUSTRIES, INC.); COLONIAL PIPELINE COMPANY; CRUCIBLE MATERIALS CORPORATION (A/K/A CRUCIBLE METALS) FORMERLY A DIVISION OF COLTEC INDUSTRIES; DAIMLERCHRYSLER CORPORATION; DANA CORPORATION; EVEREADY BATTERY CO., INC., SUCCESSOR TO CERTAIN OF THE BATTERY RELATED LIABILITIES OF UNION CARBIDE CORP.; EXXON MOBIL CORPORATION; FORD MOTOR COMPANY; GENERAL DYNAMICS CORPORATION; GENERAL ELECTRIC COMPANY; GENERAL MOTORS CORPORATION; GOULDS PUMPS; HONEYWELL INTERNATIONAL INC. (f/k/a ALLIED); INGERSOLL-RAND COMPANY; MACK TRUCKS, INC. a/k/a MACK FINANCIAL CORP.; METROPOLITAN SUBURBAN BUS AUTHORITY d/b/a MTA LONG ISLAND BUS; MILLER BREWING COMPANY; NANCO CONTRACTING CORP.; NIAGARA MOHAWK POWER CORP. (INCLUDING NATIONAL GRID USA AND NATIONAL GRID GROUP PLC); NORTHROP GRUMMAN CORPORATION (ON BEHALF OF NORTHROP GRUMMAN SYSTEMS CORPORATION (GRUMMAN AEROSPACE CORP.) AND NORTHROP GRUMMAN SPACE & MISSION

Order and Judgment of Dismissal

Civil Action No.
97-CV-7285
(DLI) (RML)

SYSTEMS CORPORATION (TRW INC.)); PARIBAS NORTH AMERICA INC. AS INDEMNITOR OF MERRILL LYNCH & CO., INC. AND MERRILL LYNCH MONEY MARKETS, INC.; PFIZER, INC. (INCLUDING WARNER-LAMBERT COMPANY, LLC (ITS FORMER SCHICK-WILKINSON SWORD DIVISION AND ITS FORMERLY OWNED SUBSIDIARY NEPERA, INC.) AND PHARMACIA CORPORATION (ITS WHOLLY OWNED SUBSIDIARY THE UPJOHN COMPANY)); PROCTER & GAMBLE HAIRCARE, LLC; PUBLIC SERVICE ELECTRIC AND GAS COMPANY; QUANTA RESOURCES CORPORATION; REVIEW SUPPLIES, INC.; REYNOLDS METALS CO. a/k/a REYNOLDS ALUMINUM; ROCKWELL AUTOMATION, INC.; ROME STRIP STEEL COMPANY, INC.; RUSSELL W. MAHLER; SHELL OIL CO.; SIKORSKY AIRCRAFT CORPORATION; SPX CORPORATION, ON BEHALF OF ITS FORMER DIVISION, LEEDS & NORTHRUP; THE HITCHCOCK GAS ENGINE COMPANY; THE MILLER COMPANY (n/k/a T CORP.); THE STANLEY WORKS; UNDERGROUND EQUIPMENT CO., LTD.; UNITED TECHNOLOGIES CORPORATION; AND VIACOM INC., SUCCESSOR BY MERGER TO CBS CORPORATION, f/k/a WESTINGHOUSE ELECTRIC CORPORATION,

Defendants.

Order and Judgment of Dismissal

Whereas, Plaintiff has filed a fourth amended complaint in this matter pursuant to Section 107 of the Comprehensive Environmental Response Compensation and Liability Act as amended ("CERCLA"), 42 USC § 9607(a), as well as the Resource Conservation and Recovery Act ("RCRA"), 42 USC § 6972(a) and the New York Common Law of nuisance seeking, in relevant part: (1) implementation of an appropriate abatement plan given the nature and extent of potential endangerment. for environmental conditions existing on certain real property located in Queens County, New York, more commonly known as 37-30 through 37-32 Review Avenue and 37-98

Railroad Avenue and 38-20 Railroad Avenue, Long Island City, New York (the "Capasso Property") and property located at 37-80 Review Avenue ("Quanta Facility"); and (2) reimbursement of recoverable response costs, attorney's fees, and/or other damages or costs incurred by DMJ that would be recoverable under the legal theories alleged; and

Whereas, Plaintiff DMJ Associates L.L.C., ("DMJ"), ("Plaintiff") and Defendants,[1] Alcoa Inc. (f/k/a Aluminum Company of America); Allied Waste Industries Inc. (including Browning Ferris Industries, LLC or "B.F.I".); Barry Controls Division of Barry Wright Corporation; BASF Corporation; Beazer East, Inc. f/k/a Koppers Company, Inc.; BorgWarner Inc.; BP Products North America Inc. (including BP Amoco Corporation, Atlantic Richfield Co., and American Brass-Anaconda (a/k/a Outokumpu American Brass, Inc.)); Buckeye Pipe Line Company, LP; Carrier Corporation; Caterpillar Inc.; Chemical Leaman Tank Lines, Inc.; Chevron Environmental Management Company (for itself and on behalf of Chevron U.S.A. Inc., Texaco Inc., and Kewanee Industries, Inc.); Colonial Pipeline Company; Crucible Materials Corporation (a/k/a Crucible Metals) formerly a division of Coltec Industries; DaimlerChrysler Corporation; Dana Corporation; Eveready Battery Co., Inc., successor to certain of the battery related liabilities of Union Carbide Corp.; Exxon Mobil Corporation; Ford Motor Company; General Dynamics Corporation; General Electric Company; General Motors Corporation; Goulds Pumps; Honeywell International Inc. (f/k/a Allied); Ingersoll-Rand Company; Mack Trucks, Inc. a/k/a Mack Financial Corp.; Metropolitan Suburban Bus Authority d/b/a MTA Long

[1] As used for purposes of applying the protections created by this Order, the term Defendants includes all their parents, and their predecessors, successors, subsidiaries, affiliates and assigns.

Island Bus; Miller Brewing Company; Niagara Mohawk Power Corp. (including National Grid USA and National Grid Group PLC; Northrop Grumman Corporation (on Behalf of Northrop Grumman Systems Corporation (Grumman Aerospace Corp.) and Northrop Grumman Space & Mission Systems Corporation (TRW Inc.)); Paribas North America Inc. as indemnitor of Merrill Lynch & Co., Inc. and Merrill Lynch Money Markets, Inc.; Pfizer, Inc. (including Warner-Lambert Company (its former Schick-Wilkinson Sword Division and its former wholly-owned subsidiary Nepera, Inc) and Pharmacia Corporation (its wholly-owned subsidiary The Upjohn Company)); Public Service Electric and Gas Company; Quanta Resources Corporation; Reynolds Metals Company a/k/a Reynolds Aluminum; Rockwell Automation, Inc.; Rome Strip Steel Company, Inc.; Shell Oil Co.; Sikorsky Aircraft Corporation; SPX Corporation, on behalf of its former division, Leeds & Northrup; The Miller Company (n/k/a T Corp.); The Stanley Works; United Technologies Corporation; and Viacom Inc., successor by merger to CBS Corporation, f/k/a Westinghouse Electric Corporation (the "Settling Defendants"), without making any admission of fact, law, liability or fault related to the Litigation or the Site, and without affirmatively and specifically admitting or denying any of Plaintiff's allegations in the Fourth Amended Complaint, have resolved their differences as summarized below; and

Whereas Settling Defendants are entering into Agreements to settle and pay for all claims of DMJ and among one another including but not limited to claims under 42 USC §9607(a) (CERCLA) and 42 USC §6972(a) (RCRA) and which settlement provides the following general relief as specified more fully in separate signed and fully integrated agreements ("Settlement" or "Settlement Agreements"): (a) An equitable remedy to DMJ that will eliminate to the satisfaction of the New York State Department of Environmental Conservation, consistent with applicable laws and regulations, the risk, if any, to the public and environment from the potential endangerment at, from or affecting the Capasso Properties, sourced from the Quanta Facility and to otherwise cooperate with Plaintiff to restore the Capasso Properties to a condition that is acceptable to the New York State Department of Environmental Conservation as consistent with applicable laws and regulations and with industrial use for property of the same type in the surrounding area; and (b) a monetary remedy that makes Plaintiff whole for acceptable recoverable response and remedial costs and other damages as would be recoverable under law.[2]

Now, therefore after due review and consideration by the Court, it is hereby ordered and adjudged:

(1) That no responsive pleading by the Settling Defendants is required under Rule 8 of the Federal Rules of Civil Procedure.

(2) That all claims brought by DMJ in this action against the Settling Defendants are hereby dismissed with prejudice and with each party to bear its own costs;

(3) That all cross claims and counter claims asserted by and among the Settling Defendants are hereby dismissed with prejudice (except to the

[2] Plaintiff's claims as against defendants Carl A. Capasso and Refinement International Corp were dismissed by plaintiff without prejudice on August 25, 2000 and plaintiff's claims against Darling International were dismissed without prejudice by Order of this Court on consent dated April 22, 2004. Plaintiff's claims as against defendant Russell Mahler, who has not answered or otherwise filed an appearance, have been dismissed pursuant to Rule 41(a)(1) of the Federal Rules of Civil Procedure.

extent rights are reserved in the Settlement Agreements) and with each party to bear its own costs;

(4) That the claims and cross claims asserted in the within action as against all of the non-settling defendants, including Proctor & Gamble Haircare LLC, Hitchcock Gas Engine Company, Russell W. Mahler, Review Supplies, Inc., Underground Equipment Co., Ltd and Nanco Contracting Corp. are hereby dismissed without prejudice and with each party to bear its own costs;[3]

(5) That the remedy provided to Plaintiff DMJ by the Settling Defendants in the Settlement Agreement constitutes one hundred percent (100%) of the legal and equitable relief that Plaintiff would have been entitled to under the claims and allegations pleaded in the complaint and accordingly Plaintiff has been made whole;

(6) By virtue of the terms of the Settlement, the Settling Defendants are extinguishing any liability of the non-settling parties to the Plaintiff, and may seek contribution, indemnification, or cost recovery as permitted by law, from any party, non-settling parties or other non-parties who are not a signatory to the Settlement including through any third-party action brought within the instant action notwithstanding the dismissal of DMJ's claims;

[3] Dismissal of Defendants Review Supplies, Inc., Underground Equipment Co., Ltd and Nanco Contracting Corp. is subject to Plaintiff's separate request for dismissal pending before the Honorable Dora L. Irizarry.

(7) With respect to matters addressed in the Settlement Agreements, and under the governing contribution protection rules contained within CERCLA, Section 113 and applicable federal, state and common law, the Settling Defendants shall be entitled to full and complete protection from any claim, counterclaim or cross-claim by any party, any non-settling party or other non-parties seeking contribution in any form; and

(8) The Court shall retain continuing jurisdiction for the limited purpose of enforcing the terms of the Settlement Agreements, including the specific enforcement by injunctive relief of the non-monetary performance obligations of the Settling Parties set forth in the Settlement Agreements and of adjudicating any third-party action of the Settling Defendants pursuant to paragraph (6) above. In any such action, non-settling parties are free to assert that their liability, if any, is subject to equitable apportionment and settling parties are free to assert it is not subject to equitable apportionment.

(9) The Clerk is directed to enter judgment dismissing DMJ's Fourth Amended Complaint in accordance with this Order but shall keep this action open so as to permit the adjudication of any third-party action of the Settling Defendants.

IT IS SO ORDERED
Dated: June 27, 2005

signed

Robert M. Levy
United States Magistrate

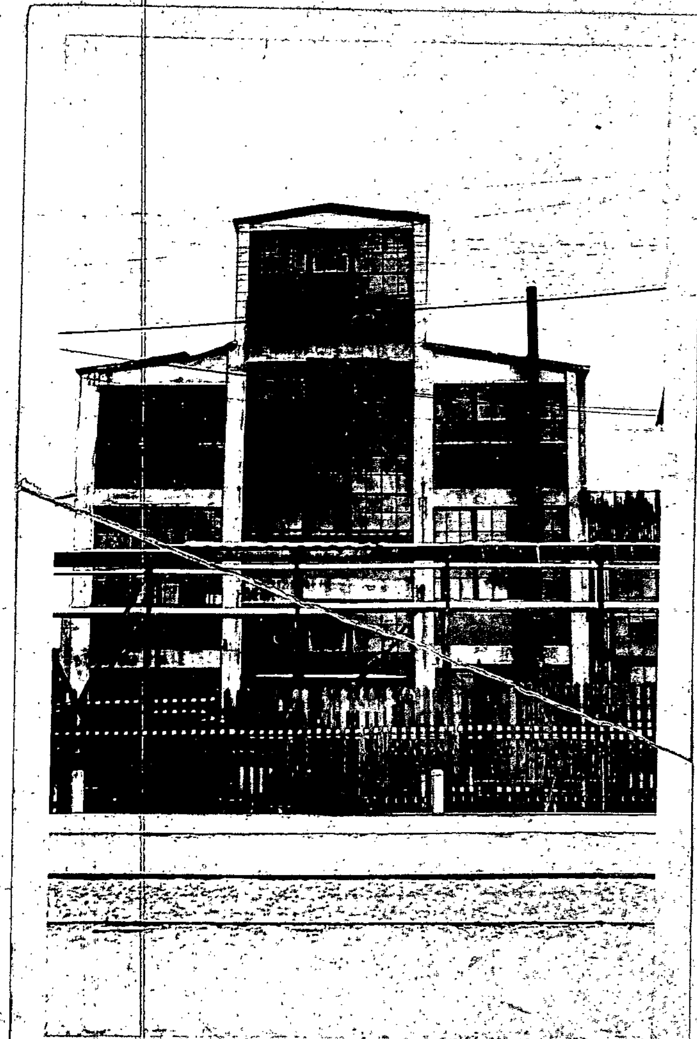
Consent to Order and Judgment of Dismissal

The following parties, by their counsel, will consent to the entry of this Order and Judgment of dismissal:

DMJ Associates L.L.C.
Alcoa Inc. (f/k/a Aluminum Company of America)
Allied Waste Industries Inc. (Including Browning Ferris Industries, LLC or "B.F.I".)
Barry Controls Division of Barry Wright Corporation
BASF Corporation
Beazer East, Inc. f/k/a Koppers Company, Inc.
BorgWarner Inc.
BP Products North America Inc. (including BP Amoco Corporation, Atlantic Richfield Co., and American Brass-Anaconda (a/k/a Outokumpu American Brass, Inc.))
Buckeye Pipe Line Company, LP
Carrier Corporation
Caterpillar Inc.
Chemical Leaman Tank Lines, Inc.
Chevron Environmental Management Company (for itself and on behalf of Chevron U.S.A. Inc., Texaco Inc., and Kewanee Industries, Inc.)
Colonial Pipeline Company
Crucible Materials Corporation (a/k/a Crucible Metals) formerly a division of Coltec Industries
DaimlerChrysler Corporation
Dana Corporation
Eveready Battery Co., Inc., successor to certain of the battery related liabilities of Union Carbide Corp.
Exxon Mobil Corporation
Ford Motor Company
General Dynamics Corporation
General Electric Company
General Motors Corporation
Goulds Pumps
Honeywell International Inc. (f/k/a Allied)
Ingersoll-Rand Company
Mack Trucks, Inc. a/k/a Mack Financial Corp.
Metropolitan Suburban Bus Authority d/b/a MTA Long Island Bus
Miller Brewing Company
Niagara Mohawk Power Corp. (including National Grid USA and National Grid Group PLC)
Northrop Grumman Corporation (on Behalf of Northrop Grumman Systems Corporation (Grumman Aerospace Corp.) and Northrop Grumman Space & Mission Systems Corporation (TRW Inc.))
Paribas North America Inc. as indemnitor of Merrill Lynch & Co., Inc. and Merrill Lynch Money Markets, Inc.

Pfizer, Inc. (including Warner-Lambert Company (its former Schick-Wilkinson Sword Division and its former wholly-owned subsidiary Nepera, Inc) and Pharmacia Corporation (its wholly-owned subsidiary The Upjohn Company))
Proctor & Gamble Haircare LLC.
Public Service Electric and Gas Company
Quanta Resources Corporation
Reynolds Metals Co. a/k/a Reynolds Aluminum
Rockwell Automation, Inc.
Rome Strip Steel Company, Inc.
Shell Oil Co.
Sikorsky Aircraft Corporation
SPX Corporation, on behalf of its former division, Leeds & Northrup
The Hitchcock Gas Engine Company
The Miller Company (n/k/a T Corp.)
The Stanley Works
United Technologies Corporation
Viacom Inc., successor by merger to CBS Corporation, f/k/a Westinghouse Electric Corporation

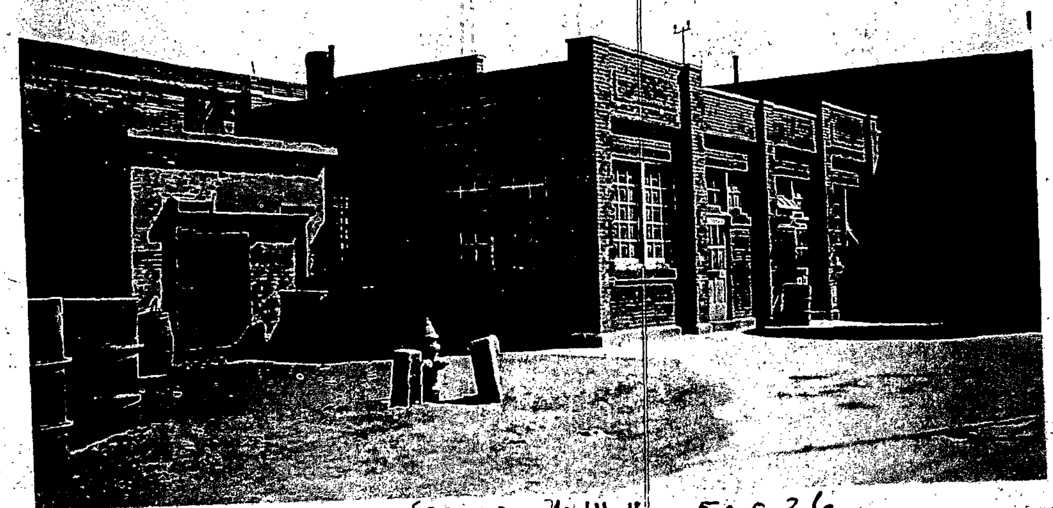
EXHIBIT 7



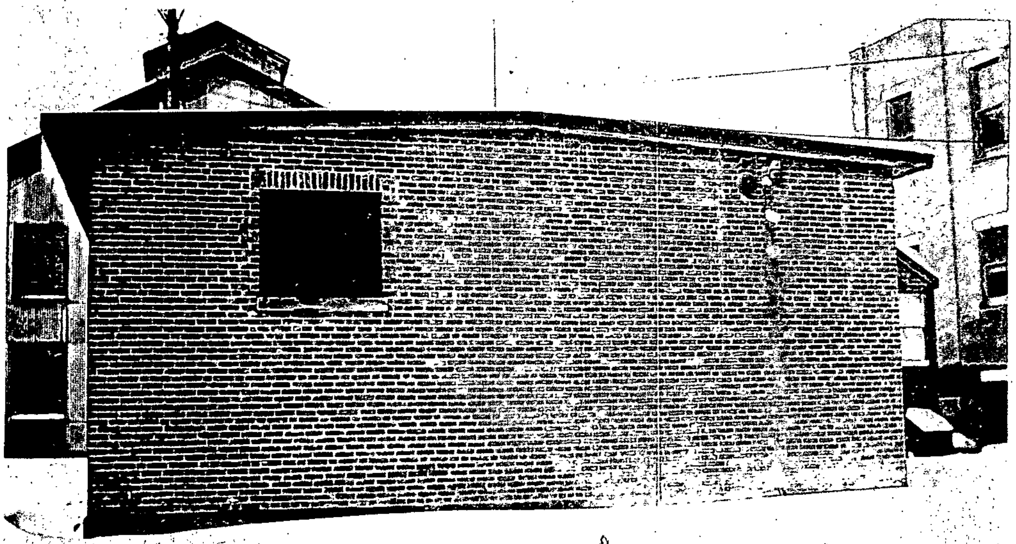
S.V. IND. LAB # 50040

St E.V. ARSENIC PLANT # 50029

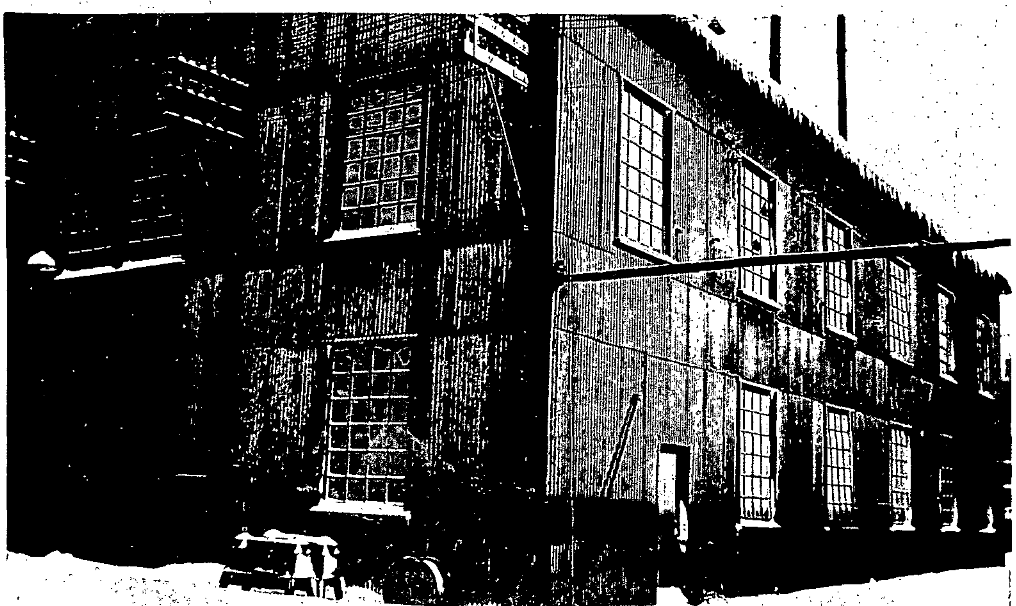
E.U. GREEN HOUSE # 50045



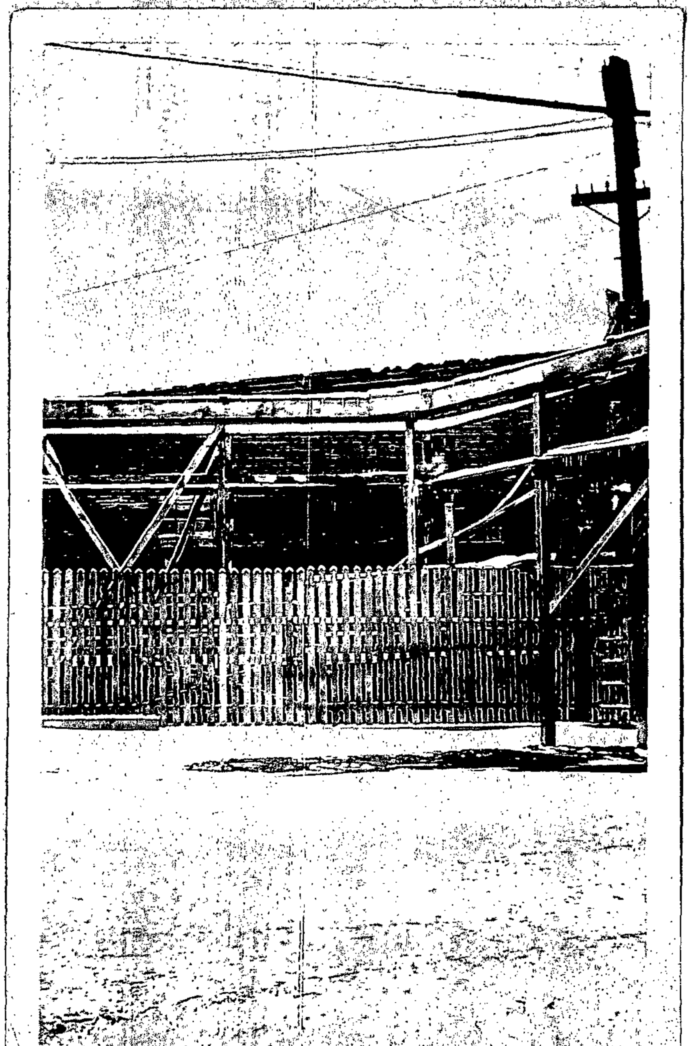
OiLHouse 50027 SERvice M.W.U. 50026



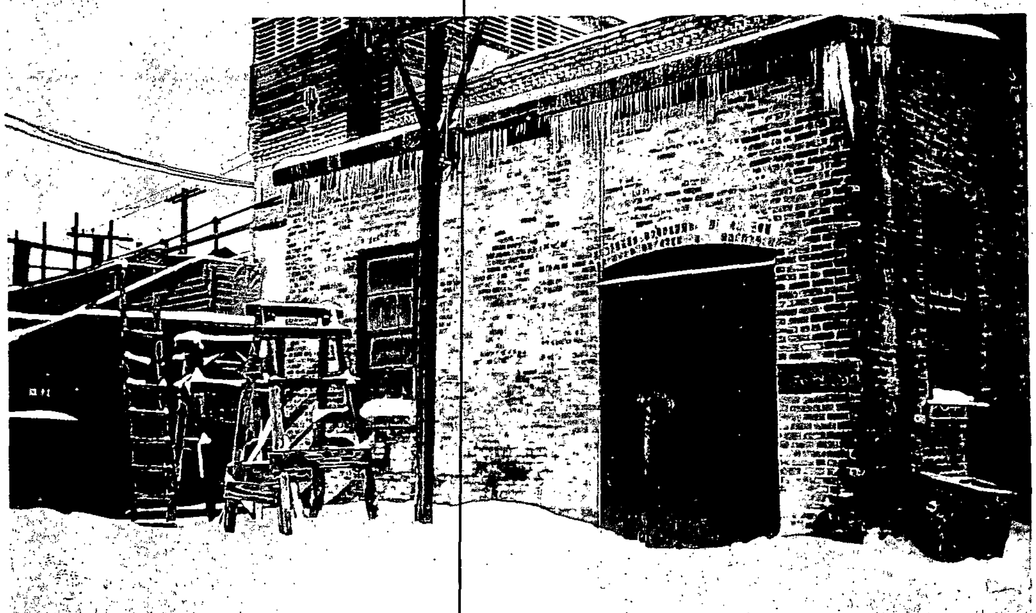
E.V. CHEM STORAGE # 50044



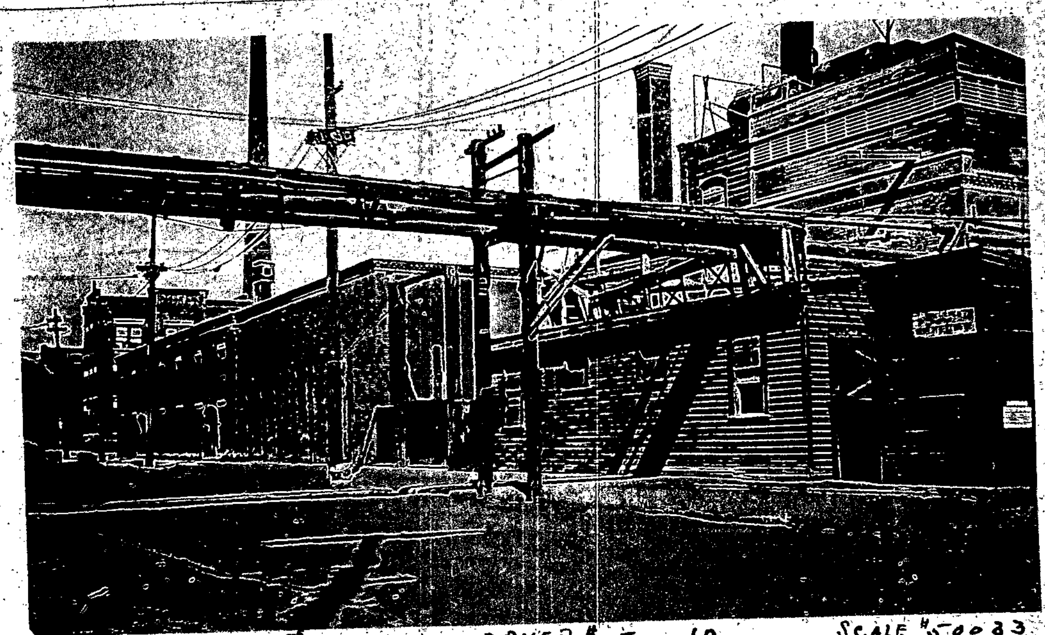
W • S View   OLP Cut Bldg # 60030



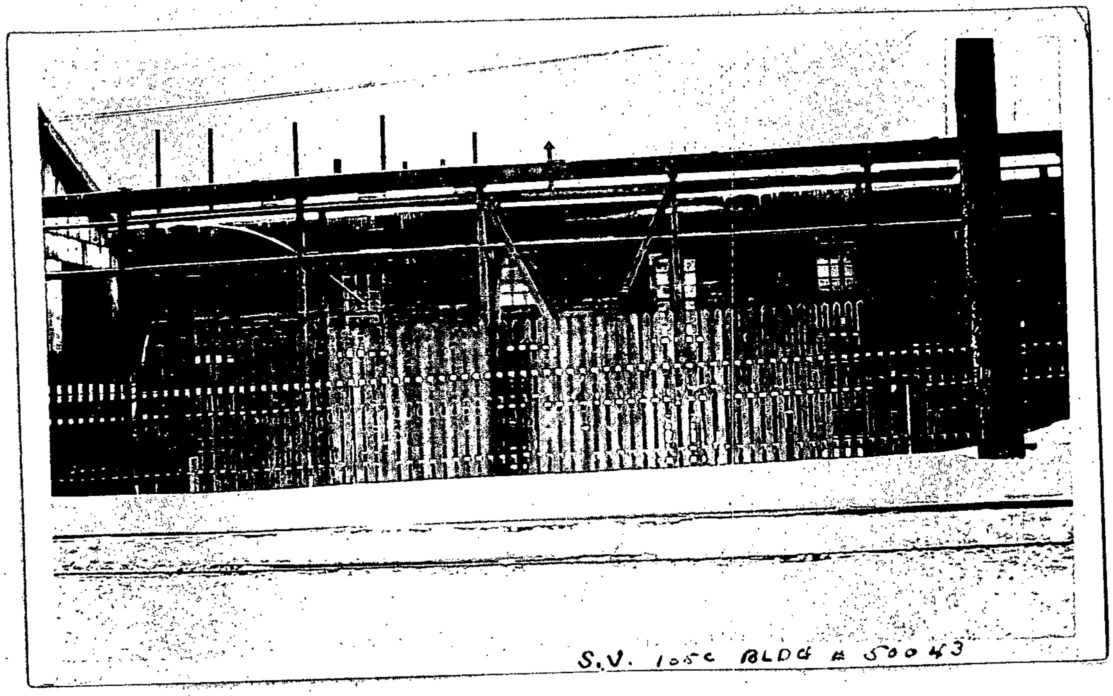
E.V. 105-C BLDG # 50043



BAUXITE MOTOR S.E.V 50013



US V. ALUM 50002 BAYN'T 50011 DRYER # 50010 SCALE # 50083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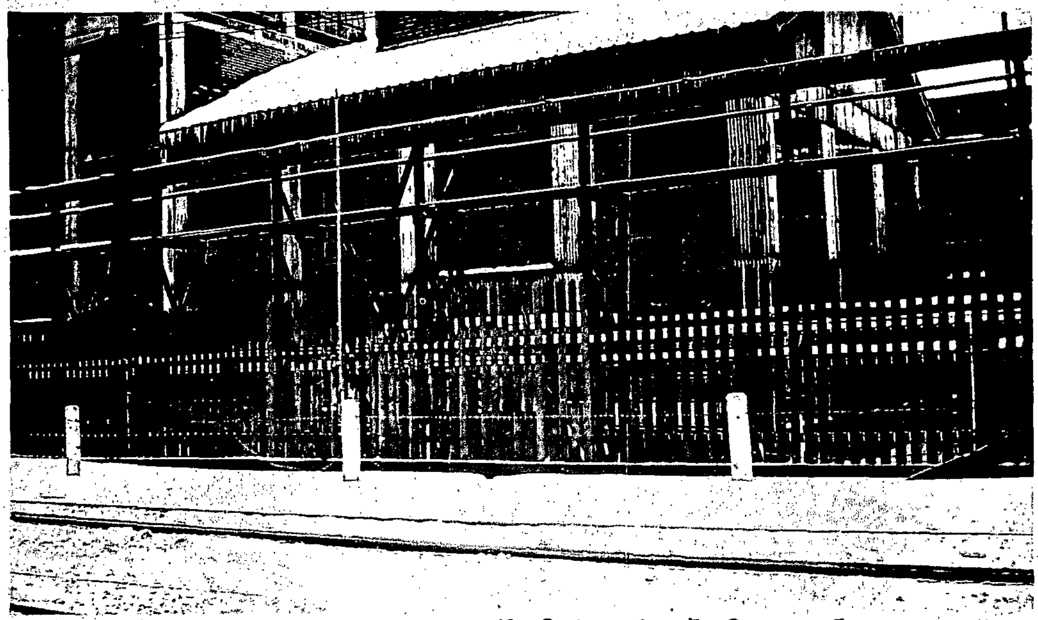
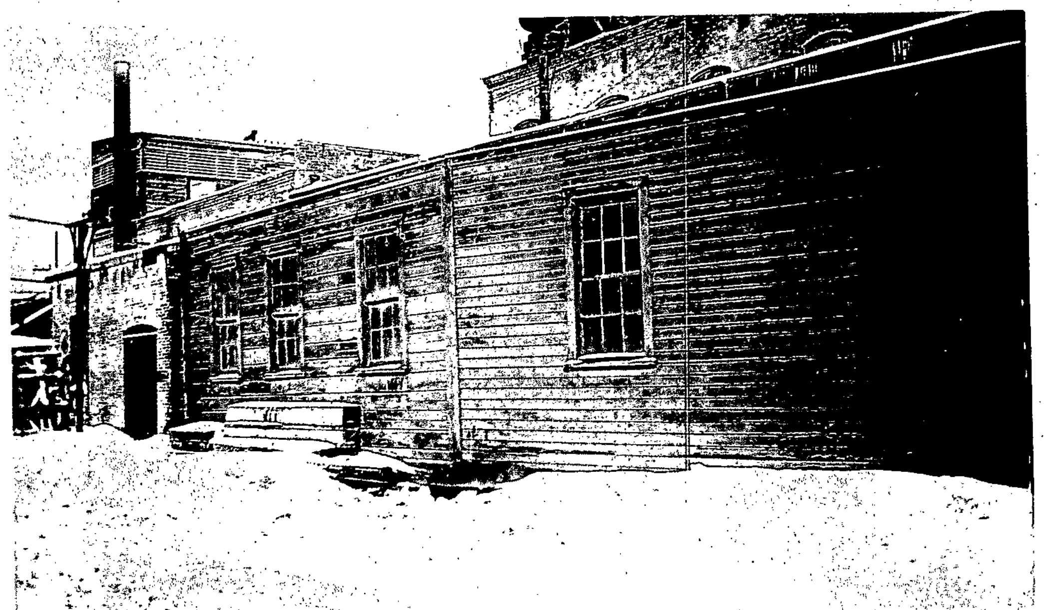
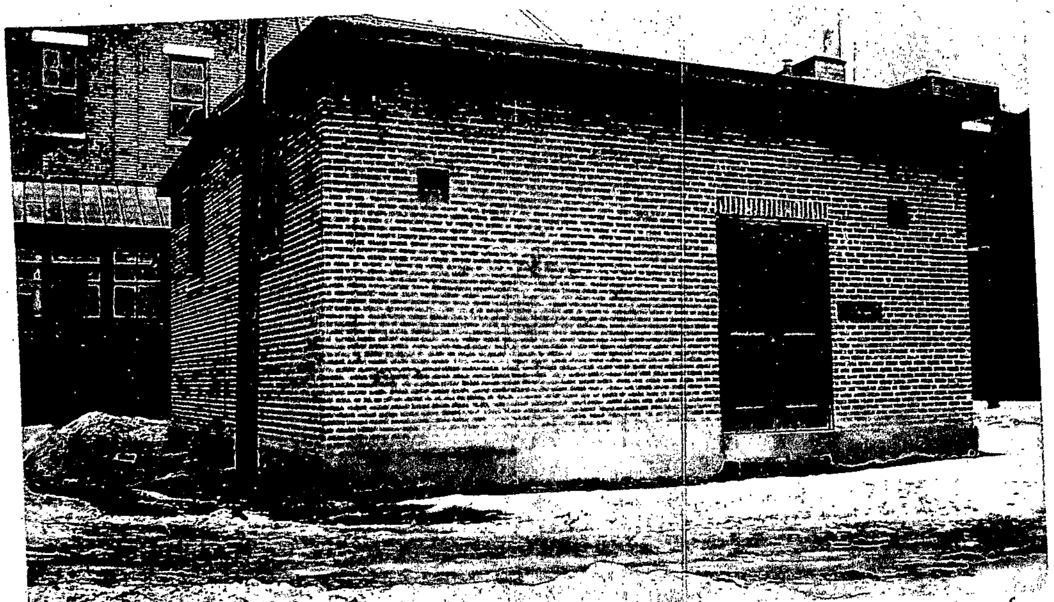


E+S.V. 186 EXT BLDG # 50041



S.r. CARPENTER SHOP # 50082

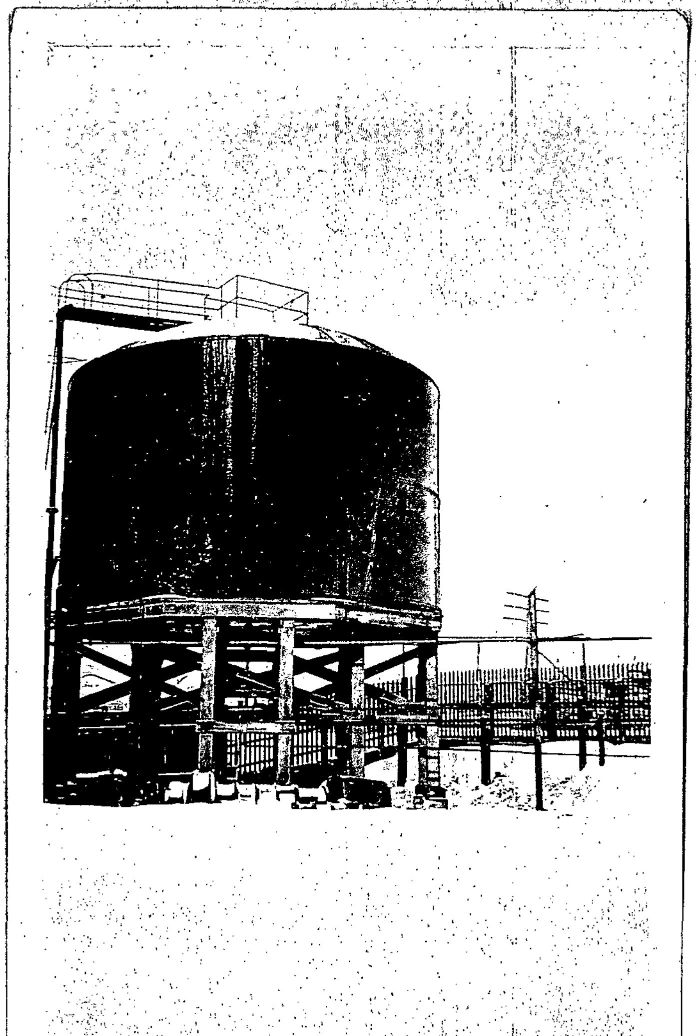


WTS.V. CHEM STORAGE #50044

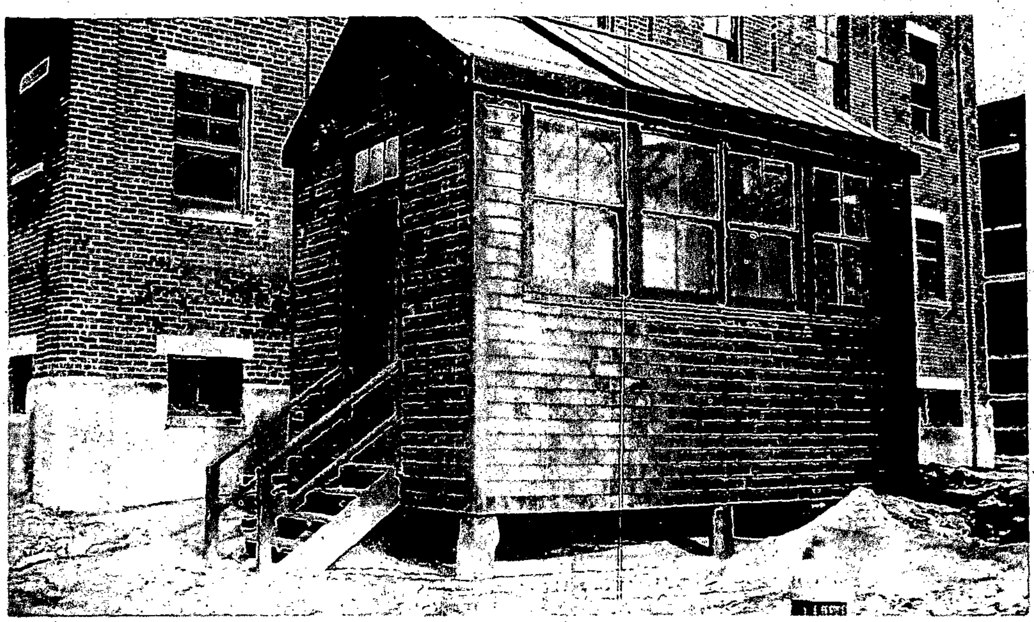

W.V. GARAGE # 50006

C

E.U. 105C Bldg #50042

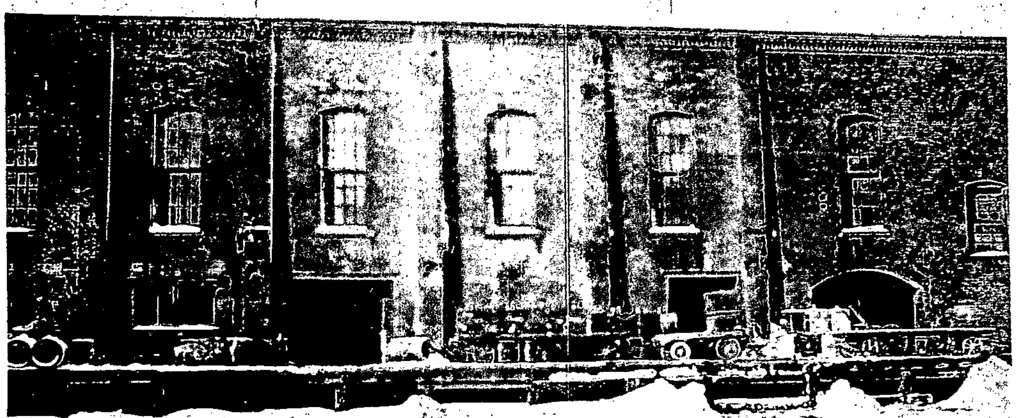


#1 ACID TANK #50048



W. S. U GREENHOUSE #50045

WEST U. LABY & OFFICE BLDG #50001 + 50038



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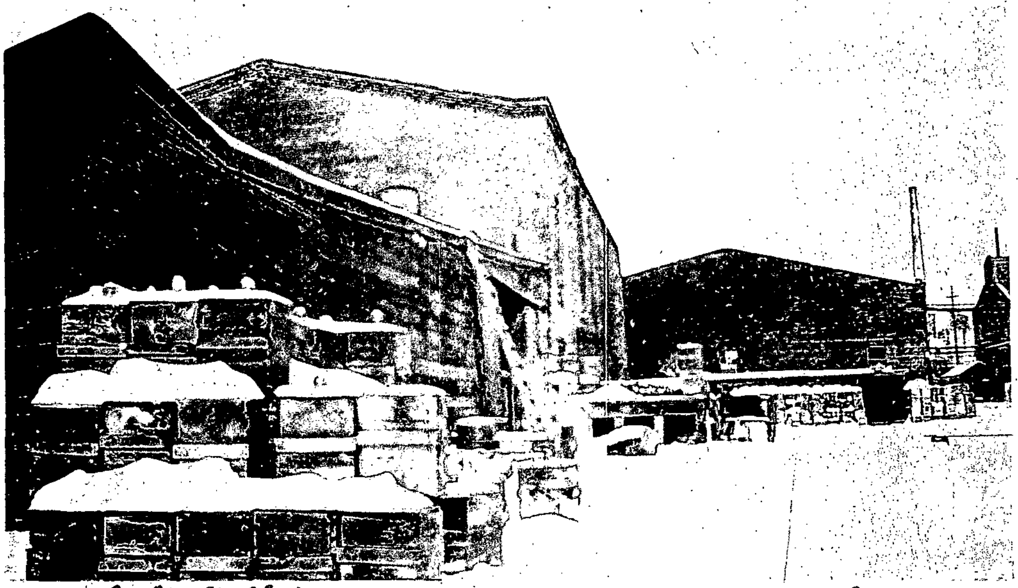
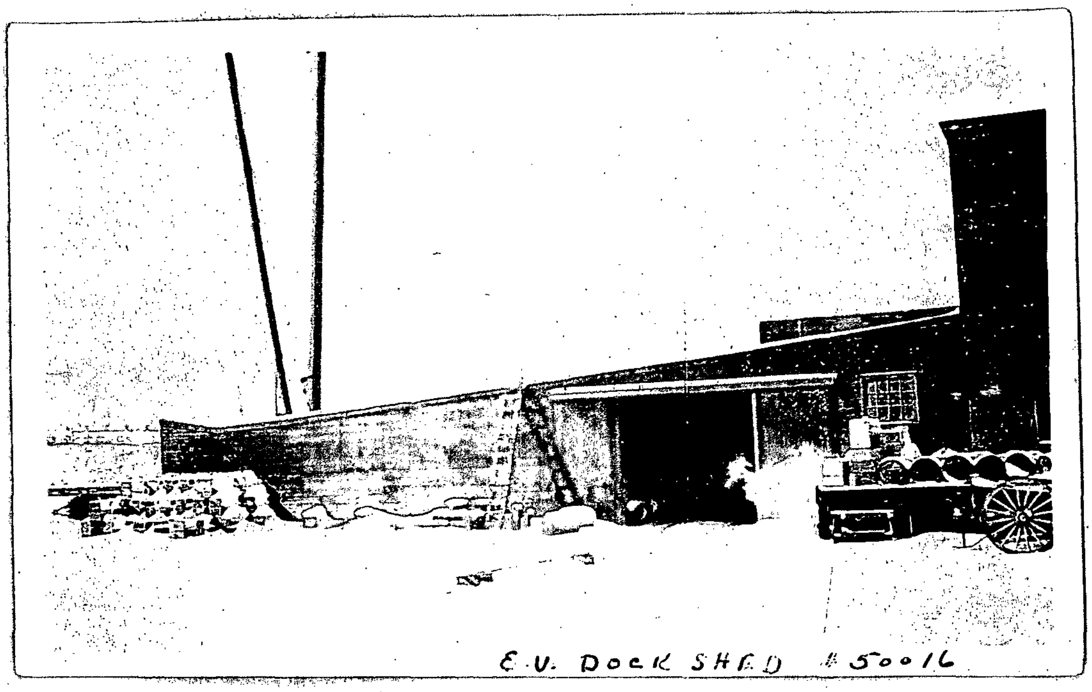
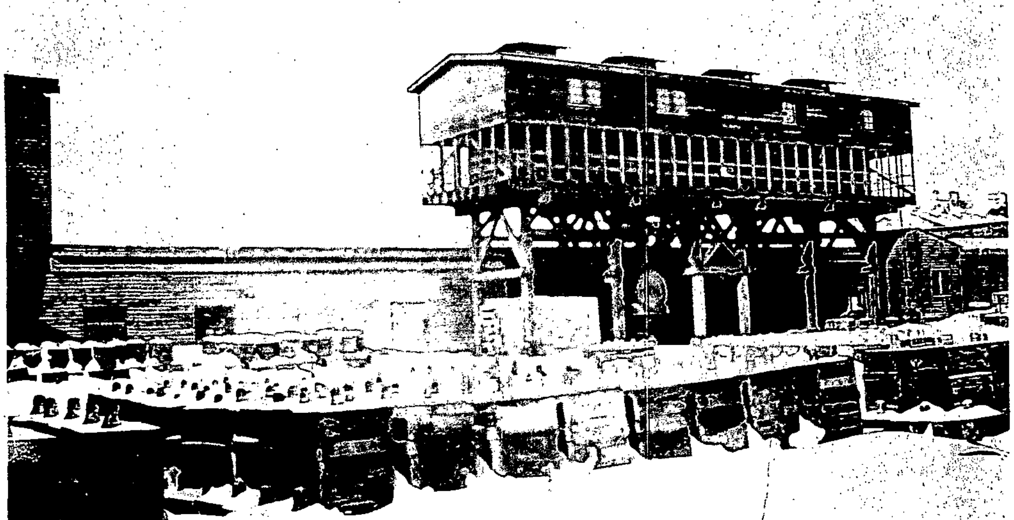


Em SV; Stg Shed 500 16. 50017 50018

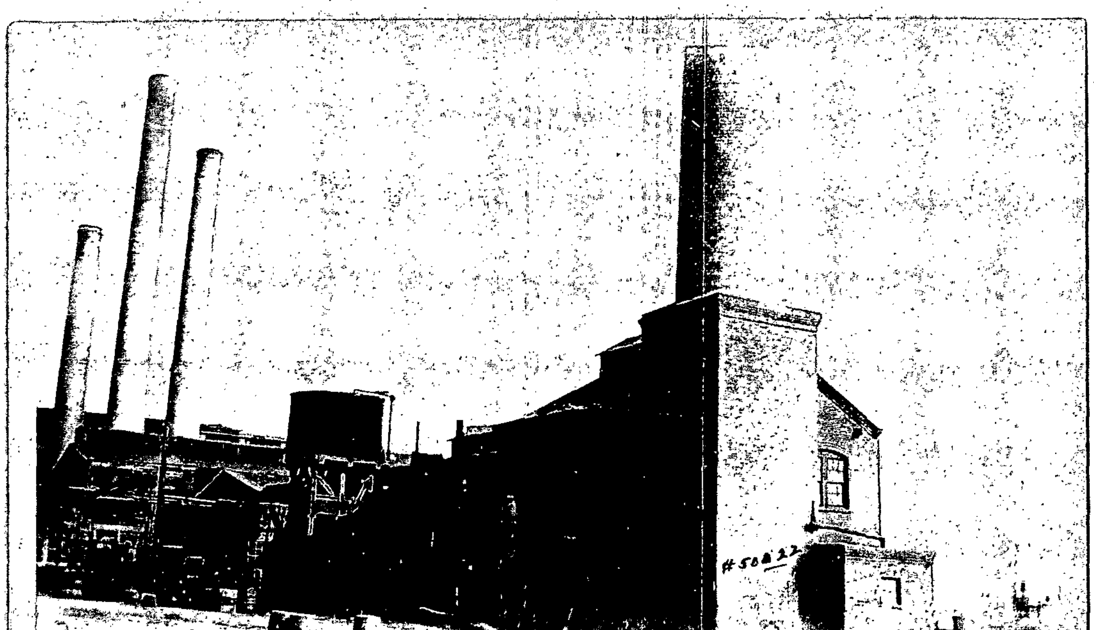


E.V. DOCK SHED #50016

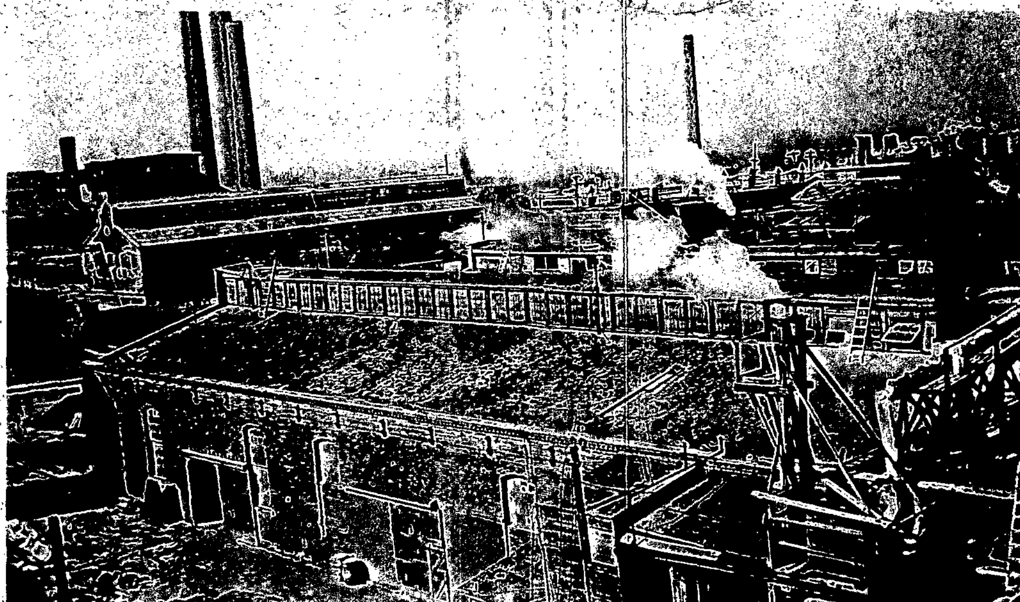


E.H. WAREHOUSE #50014 + MUR STG. TANKS #50062

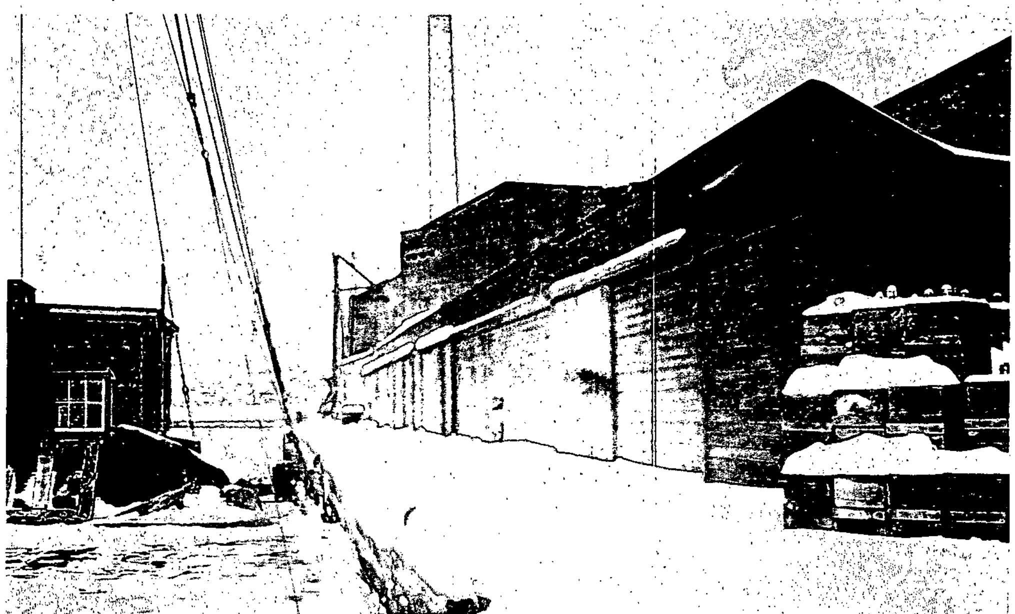
PUMP HOUSE 50024 COAL PILE



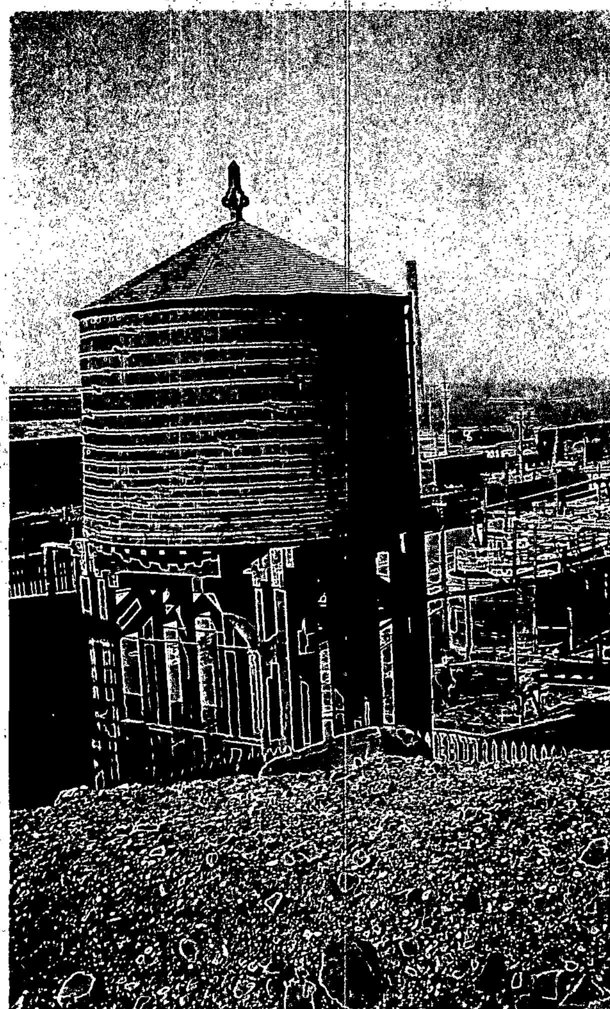
STEAM N+W U-500 19-20+21-23



E View Bld. 50002 ALUM



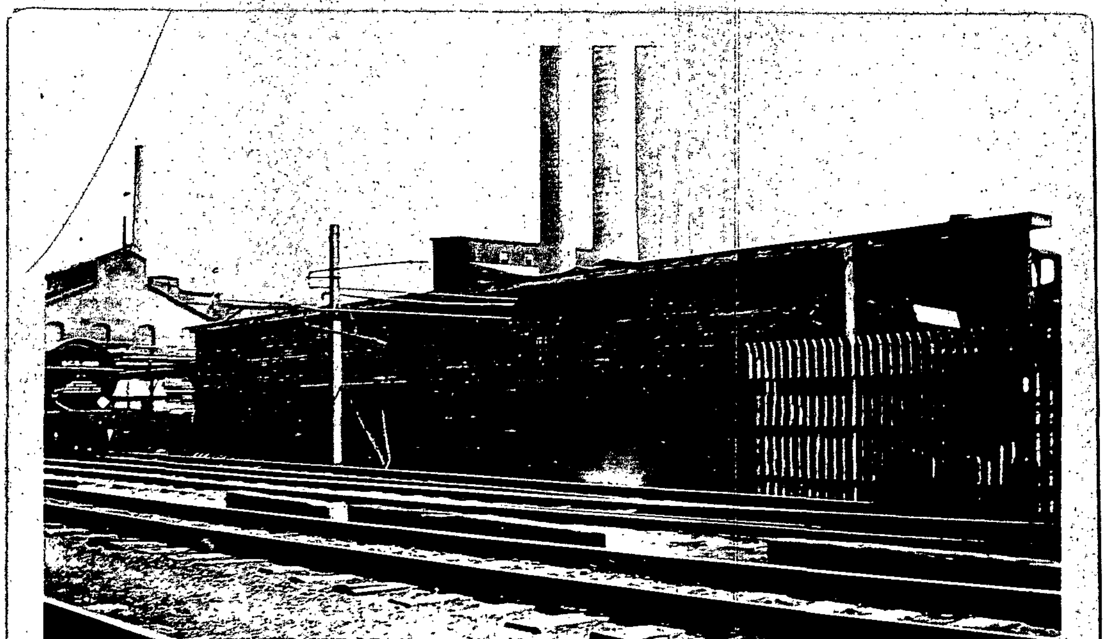
S.V. DOCK SHED # 50016



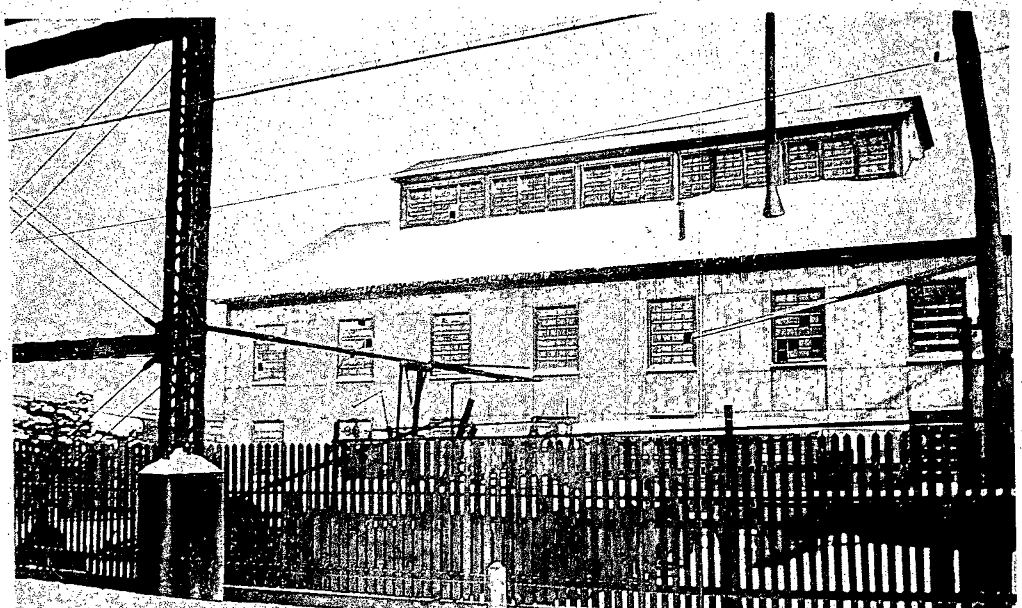
WATER TANK-50075

NEW CAT N.E.U 50039

GARAGE S.E.V. 50006



N.V. 500 14 · 500 15



S. V. NEW CAT. BLDG. 4 50039

EXHIBIT 8

HONEYWELL INTERNATIONAL INC (HON)

10-K

Annual report pursuant to section 13 and 15(d)
Filed on 02/12/2010
Filed Period 12/31/2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	22-2640650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 Columbia Road Morris Township, New Jersey	07962
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (973) 455-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1 per share*	New York Stock Exchange Chicago Stock Exchange
$9\frac{1}{2}$% Debentures due June 1, 2016	New York Stock Exchange

*The common stock is also listed for trading on the London Stock Exchange.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $23.2 billion at June 30, 2009.

There were 764,552,212 shares of Common Stock outstanding at January 31, 2010.

Documents Incorporated by Reference

Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 26, 2010.

TABLE OF CONTENTS

PART I.

Item 1. Business

Honeywell International Inc. (Honeywell) is a diversified technology and manufacturing company, serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, turbochargers, automotive products, specialty chemicals, electronic and advanced materials, process technology for refining and petrochemicals, and energy efficient products and solutions for homes, business and transportation. Honeywell was incorporated in Delaware in 1985.

We maintain an internet website at http://www.honeywell.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, are available free of charge on our website under the heading "Investor Relations" (see "SEC Filings & Reports") immediately after they are filed with, or furnished to, the Securities and Exchange Commission (SEC). In addition, in this Form 10-K, the Company incorporates by reference certain information from parts of its proxy statement for the 2010 Annual Meeting of Stockholders, which we expect to file with the SEC on or about March 11, 2010, and which will also be available free of charge on our website.

Information relating to corporate governance at Honeywell, including Honeywell's Code of Business Conduct, Corporate Governance Guidelines and Charters of the Committees of the Board of Directors are also available, free of charge, on our website under the heading "Investor Relations" (see "Corporate Governance"), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. Honeywell's Code of Business Conduct applies to all Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees.

Major Businesses

We globally manage our business operations through four businesses that are reported as operating segments: Aerospace, Automation and Control Solutions, Specialty Materials and Transportation Systems. Financial information related to our operating segments is included in Note 23 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The major products/services, customers/uses and key competitors of each of our operating segments follows:

Aerospace

Our Aerospace segment is a leading global provider of integrated avionics, engines, systems and service solutions for aircraft manufacturers, airlines, business and general aviation, military, space and airport operations.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Turbine propulsion engines	TFE731 turbofan TFE1042 turbofan ATF3 turbofan F124 turbofan ALF502 turbofan LF507 turbofan CFE738 turbofan HTF 7000 turbofan T53, T55 turboshaft T800 turboshaft TF40B/50A HTS900 LT101-650/750/850 TPE 331 turboprop AGT1500 turboshaft Repair, overhaul and spare parts	Business, regional, general aviation and military trainer aircraft Commercial and military helicopters Military vehicles	United Technologies Rolls Royce/Allison Turbomeca Williams

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Auxiliary power units (APUs)	Airborne auxiliary power units Jet fuel starters Secondary power systems *Ground power units* Repair, overhaul and spare parts	Commercial, regional, business and military aircraft Ground power	United Technologies
Environmental control systems	Air management systems: Air conditioning Bleed air Cabin pressure control Air purification and treatment Gas Processing Heat Exchangers Turbo Systems Repair, overhaul and spare parts	Commercial, regional and general aviation aircraft Military aircraft Ground vehicles Spacecraft	Auxilec Barber Colman Dukes Eaton-Vickers General Electric Goodrich Liebherr Pacific Scientific Parker Hannifin TAT United Technologies
Electric power systems	Generators Power distribution & control Power conditioning Repair, overhaul and spare parts	Commercial, regional, business and military aircraft	General Electric Goodrich Safran United Technologies
Engine systems and accessories	Electronic and hydromechanical fuel controls Engine start systems Electronic engine controls Sensors Valves Electric and pneumatic power generation systems Thrust reverser actuation, pneumatic and electric	Commercial, regional and general aviation aircraft Military aircraft	BAE Controls Goodrich Parker Hannifin United Technologies
Avionics systems	Flight safety systems: Enhanced Ground Proximity Warning Systems (EGPWS) Traffic Alert and Collision Avoidance Systems (TCAS) Windshear detection systems Flight data and cockpit voice recorders Weather radar Communication, navigation and surveillance systems: Navigation & guidance systems Global positioning systems Satellite systems Integrated systems Flight management systems Cockpit display systems Data management and aircraft performance monitoring systems Aircraft information systems Network file servers	Commercial, business and general aviation aircraft Government aviation	BAE Boeing/Jeppesen Garmin General Electric Goodrich Kaiser L3 Lockheed Martin Northrop Grumman Rockwell Collins Thales Trimble/Terra Universal Avionics Universal Weather

Wireless network transceivers
Weather information network
Navigation database information
Cabin management systems
Vibration detection and monitoring
Mission management systems
Tactical data management systems

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Aircraft and Obstruction lighting	Inset lights Regulators Tower and obstruction lights Interior and exterior aircraft lighting	Commercial, regional, business, helicopter and military aviation aircraft (operators, OEMs, parts distributors and MRO service providers) *General contractors* (building and tower manufacturers), cell-phone companies	Bruce Hella/Goodrich LSI Luminator Siemens Whelen
Inertial sensor	Inertial sensor systems for guidance, stabilization, navigation and control Gyroscopes, accelerometers, inertial measurement units and thermal switches	Military and commercial vehicles Commercial spacecraft and launch vehicles Commercial, regional, business and military aircraft Transportation Missiles Munitions	Astronautics-Kearfott BAE Ball GEC General Electric L3 Com KVH Northrop Grumman Rockwell
Control products	Radar altimeters Pressure products Air data products Thermal switches Magnetic sensors	Military aircraft Missiles, UAVs Commercial applications	Ball Brothers BAE Druck Goodrich NavCom Northrop Grumman Rosemount Solarton
Space products and subsystems	Guidance subsystems Control subsystems Processing subsystems Radiation hardened electronics and integrated circuits GPS-based range safety systems	Commercial and military-spacecraft DoD FAA NASA	BAE Ithaco L3 Northrop Grumman Raytheon
Management and technical services	Maintenance/operation and provision of space systems, services and facilities Systems engineering and integration Information technology services *Logistics and sustainment*	U.S. government space (NASA) DoD (logistics and information services) FAA DoE Local governments Commercial space *ground segment* systems and services	Bechtel Boeing Computer Sciences Dyncorp ITT Lockheed Martin Raytheon SAIC *The Washington Group* United Space Alliance
Landing systems	Wheels and brakes Wheel and brake repair and overhaul services	Commercial airline, regional, business and military aircraft High performance commercial vehicles USAF, DoD, DoE Boeing, Airbus, Lockheed Martin'	Dunlop Standard Aerospace Goodrich K&F Industries Messier-BugattiN ASCO

Automation and Control Solutions

Our Automation and Control Solutions segment is a leading global provider of environmental and combustion controls, sensing controls, security and life safety products and services, scanning and mobility devices and process automation and building solutions and services for homes, buildings and industrial facilities.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Environmental and combustion controls; sensing controls	Heating, ventilating and air conditioning controls and components for homes and buildings Indoor air quality products including zoning, air cleaners, humidification, heat and energy recovery ventilators Controls plus integrated electronic systems for	Original equipment manufacturers (OEMs) Distributors Contractors Retailers System integrators Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels	Bosch Cherry Danfoss Eaton Emerson Endress & Hauser Holmes Invensys Johnson Controls Motorola

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
	burners, boilers and furnaces		Schneider Siemens
Environmental and combustion controls; sensing controls (continued)	Consumer household products including humidifiers and thermostats Electrical devices ands witches Water controls Sensors, measurement, control and industrial components	Package and materials handling operations Appliance manufacturers Automotive companies Aviation companies Food and beverage processors Medical equipment Heat treat processors Computer and business equipment manufacturers	United Technologies Yamatake
Security and life safety products and services	Security products and systems Fire products and systems Access controls and closed circuit television Home health monitoring and nurse call systems Gas detection products and systems Emergency lighting Distribution Personal protection equipment	OEMs Retailers Distributors Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels Health care organizations Security monitoring service providers Industrial, fire service, utility distributors and U.S. Government	Bosch Draeger GE Hubbell Inc Mine Safety Appliances Pelco Phillips Riken Keiki SiemensTyco United Technologies 3M, Sperian Protection
Scanning and mobility	Hand held and hands free image and laser based bar code scanners Scan engines Mobile and wireless computers	OEMs Retailers Distributors Commercial customers served by the transportation and logistics, manufacturing, healthcare and retail channels	Datalogic Intermec Technologies Motorola
Process automation products and solutions	Advanced control software and industrial automation systems for control and monitoring of continuous, batch and hybrid operations Production management software Communications systems for Industrial Control equipment and systems Consulting, networking engineering and installation Terminal automation solutions Process control instrumentation Field instrumentation Analyti cal instrumentation Recorders Controllers Critical environment control solutions and services Aftermarket maintenance, repair and upgrade	Refining and petrochemical companies Chemical manufacturers Oil and gas producers Food and beverage processors Pharmaceutical companies Utilities Film and coated producers Pulp and paper industry Continuous web producers in the paper, plastics, metals, rubber, non-wovens and printing industries Mining and mineral industries	ABB AspenTech Emerson Invensys Siemens Yokogawa

	Gas control, measurement and analyzing equipment		
Building solutions and services	HVAC and building control solutions and services Energy management solutions and services Security and asset management solutions and services Enterprise building integration solutions Building information services Airport lighting and systems, visual docking guidance systems	Building managers and owners Contractors, architects and developers Consulting engineers Security directors Plant managers Utilities Large global corporations Public school systems Universities Local governments Public housing agencies Airports	Ameresco GroupMac Ingersoll Rand Invensys Johnson Controls Local contractors and utilities Safegate Schneider Siemens Trane Thorn United Technologies

Specialty Materials

Our Specialty Materials segment is a global leader in providing customers with high-performance specialty materials, including hydrocarbon processing technologies, catalysts, adsorbents, equipment and services, fluorine products, specialty films and additives, advanced fibers and composites, intermediates, specialty chemicals, electronic materials and chemicals.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Resins & chemicals	Nylon polymer Caprolactam Ammonium sulfate Cyclohexanone Cyclophexanol (KA Oil) MEKO	Nylon for carpet fibers, engineered resins and packaging Fertilizer ingredients Specialty chemicals	BASF DSM Sinopec
Hydrofluoric acid (HF)	Anhydrous and aqueous hydrofluoric acid	Fluorocarbons Steel Oil refining Chemical intermediates	Mexichem Flour Solvay
Fluorocarbons	Refrigerants, aerosol and insulation foam blowing agents Genesolv® solvents Oxyfume sterilant gases Ennovate 3000 blowing agent for refrigeration insulation	Refrigeration Air conditioning Polyurethane foam Precision cleaning Optical Appliances Hospitals Medical equipment manufacturers	Arkema Dupont Solvay Ineos
Fluorine specialties	Sulfur hexafluoride (SF_6) Iodine pentafluoride (IF) Antimony pentafluoride (SbF_5)	Electric utilities Magnesium gear manufacturers	Air Products Asahi Glass Solvay LiMing
Nuclear services	UF_6 conversion services	Nuclear fuel Electric utilities	Cameco Comurhex Rosatom
Research and fine chemicals	Oxime-based fine chemicals Fluoroaromatics High-purity solvents	Agrichemicals Biotech	Avecia Degussa DSM E. Merck Thermo Fisher Scientific Lonza Sigma-Aldrich
Performance chemicals Imaging chemicals Chemical processing sealants	HF derivatives Fluoroaromatics Catalysts Oxime-silanes	Diverse by product type	Atotech BASF DSM
Advanced fibers & composites	High modulus polyethylene fiber and shield composites Aramid shield composites	Bullet resistant vests, helmets and other armor applications Cut-resistant gloves Rope & cordage	DuPont DSM Teijin
Specialty films	Cast nylon film Bi-axially oriented nylon film Fluoropolymer film	Food and pharmaceutical packaging	American Biaxis CFP Daikin Kolon Unitika

Specialty additives	Polyethylene waxes Paraffin waxes and blends PVC lubricant systems Processing aids Luminescent pigments	Coatings and inks PVC pipe, siding & profiles Plastics Reflective coatings Safety & security applications	BASF Clariant Eastman
Electronic chemicals	Ultra high-purity HF Inorganic acids Hi-purity solvents	Semiconductors Photovoltaics	KMG BASF General Chemical
Semiconductor materials and services	Interconnect-dielectrics Interconnect-metals Semiconductor packaging materials Advanced polymers Sapphire substrates Anti-reflective coatings Thermo-couples	Semiconductors Microelectronics Telecommunications	BASF Brewer Dow Corning Foxconn Japan Energy Kyocera Shinko

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Catalysts, adsorbents and Specialties	Catalysts Molecular sieves Adsorbents Customer catalyst manufacturing	Petroleum, refining, petrochemical, gas processing, and manufacturing industries	Axens BASF WR Grace Haldor Shell/Criterion
Process technology and equipment	Technology licensing and engineering design of process units and systems Engineered products Proprietary equipment Training and development of technical personnel Gas processing technology	Petroleum refining, petrochemical, and gas processing	Axens BP/Amoco Exxon-Mobil Chevron Lummus Global Chicago Bridge & Iron Koch Glitsch Linde AG Natco Shaw Group Shell/SGS
Renewable fuels and chemicals	Technology licensing of Process, catalysts, absorbents, Refining equipment and Services for producing renewable-based fuels and chemicals	Agricultural products	Neste Oy Lurgi Syntroleum Dynamotive

Transportation Systems

Our Transportation Systems segment is one of the leading manufacturers of engine boosting systems for passenger cars and commercial vehicles, as well as a leading provider of automotive care and braking products.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Charge-air systems	Turbochargers for gasoline and diesel engines	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Borg-Warner Holset IHI MHI
Thermal systems	Exhaust gas coolers Charge-air coolers Aluminum radiators Aluminum cooling modules	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Behr Modine Valeo
Aftermarket filters, spark plugs, electronic components and car care products	Oil, air, fuel, transmission and coolant filters PCV valves Spark plugs Wire and cable Antifreeze/coolant Windshield washer fluids Waxes, washes and specialty cleaners	Automotive and heavy vehicle aftermarket channels, OEMs and Original Equipment Service Providers (OES) Auto supply retailers Specialty installers Mass merchandisers	AC Delco Bosch Champion Mann & Hummel NGK Peak/Old World Industries Purolator STP/ArmorAll Turtle Wax Zerex/Valvoline
Brake hard parts and other friction materials	Disc brake pads and shoes Drum brake linings Brake blocks Disc and drum brake components Brake hydraulic components Brake fluid Aircraft brake linings Railway linings	Automotive and heavy vehicle OEMs, OES, brake manufacturers and aftermarket channels Installers Railway and commercial/ military aircraft OEMs and brake manufacturers	Advics Akebono Continental Federal-Mogul ITT Corp JBI Nisshinbo TMD Friction TRW

Aerospace Sales

Our sales to aerospace customers were 35 percent of our total sales in each of 2009, 2008 and 2007, respectively. Our sales to commercial aerospace original equipment manufacturers were 7, 9 and 10 percent of our total sales in 2009, 2008 and 2007, respectively. In addition, our sales to commercial aftermarket customers of aerospace products and services were 10, 11 and 11 percent of our total sales in 2009, 2008 and 2007, respectively. Our Aerospace results of operations can be impacted by various industry and economic conditions. See "Item 1A. Risk Factors."

U.S. Government Sales

Sales to the U.S. Government (principally by our Aerospace segment), acting through its various departments and agencies and through prime contractors, amounted to $4,288, $4,240 and $4,011 million in 2009, 2008 and 2007, respectively, which included sales to the U.S. Department of Defense, as a prime contractor and subcontractor, of $3,455, $3,412 and $3,192 million in 2009, 2008 and 2007, respectively. U.S. defense spending increased in 2009 and is also expected to increase in 2010. We do not expect to be significantly affected by any proposed changes in 2010 federal spending due principally to the varied mix of the government programs which impact us (OEM production, engineering development programs, aftermarket spares and repairs and overhaul programs). Our contracts with the U.S. Government are subject to audits, investigations, and termination by the government. See "Item 1A. Risk Factors."

Backlog

Our total backlog at December 31, 2009 and 2008 was $13,182 and $12,972 million, respectively. We anticipate that approximately $9,339 million of the 2009 backlog will be filled in 2010. We believe that backlog is not necessarily a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

Competition

We are subject to active competition in substantially all product and service areas. Competition is expected to continue in all geographic regions. Competitive conditions vary widely among the thousands of products and services provided by us, and vary by country. Depending on the particular customer or market involved, our businesses compete on a variety of factors, such as price, quality, reliability, delivery, customer service, performance, applied technology, product innovation and product recognition. Brand identity, service to customers and quality are generally important competitive factors for our products and services, and there is considerable price competition. Other competitive factors for certain products include breadth of product line, research and development efforts and technical and managerial capability. While our competitive position varies among our products and services, we believe we are a significant competitor in each of our major product and service classes. However, a number of our products and services are sold in competition with those of a large number of other companies, some of which have substantial financial resources and significant technological capabilities. In addition, some of our products compete with the captive component divisions of original equipment manufacturers. See Item 1A "Risk Factors" for further discussion.

International Operations

We are engaged in manufacturing, sales, service and research and development mainly in the United States, Europe, Canada, Asia and Latin America. U.S. exports and foreign manufactured products are significant to our operations. U.S. exports comprised 12, 10 and 10 percent of our total sales in 2009, 2008 and 2007, respectively. Foreign manufactured products and services, mainly in Europe, were 39 percent of our total sales in 2009, 2008 and 2007.

Approximately 18 percent of total 2009 sales of Aerospace-related products and services were exports of U.S. manufactured products and systems and performance of services such as aircraft repair and overhaul. Exports were principally made to Europe, Canada, Asia and Latin America. Foreign manufactured products and systems and performance of services comprised approximately 15 percent of total 2009 Aerospace sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Canada, Mexico and Asia.

Approximately 2 percent of total 2009 sales of Automation and Control Solutions products were exports of U.S. manufactured products. Foreign manufactured products and performance of services accounted for 57 percent of total 2009 Automation and Control Solutions sales. The principal manufacturing facilities outside the U.S. are in Europe with less significant operations in Asia and Canada.

Approximately 31 percent of total 2009 sales of Specialty Materials products and services were exports of U.S. manufactured products. Exports were principally made to Asia and Latin America. Foreign manufactured products and performance of services comprised 25 percent of total 2009 Specialty Materials sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Canada.

Exports of U.S. manufactured products comprised 1 percent of total 2009 sales of Transportation Systems products. Foreign manufactured products accounted for 68 percent of total 2009 sales of Transportation Systems. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Latin America.

Financial information including net sales and long-lived assets related to geographic areas is included in Note 24 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data". Information regarding the economic, political, regulatory and other risks associated with international operations is included in "Item 1A. Risk Factors."

Raw Materials

The principal raw materials used in our operations are generally readily available. We experienced no significant problems in the purchase of key raw materials and commodities in 2009. We are not dependent on any one supplier for a material amount of our raw materials, except related to phenol, a raw material used in our Specialty Materials segment. We purchase phenol under a supply agreement with one supplier.

The costs of certain key raw materials, including natural gas, benzene (the key component in phenol), ethylene, fluorspar and sulfur in our Specialty Materials business, steel, nickel, other metals and ethylene glycol in our Transportation Systems business, and nickel, titanium and other metals in our Aerospace business, are expected to remain volatile. In addition, in 2009 certain large long-term fixed supplier price agreements expired, primarily relating to components used by our Aerospace business, which in the aggregate, subjected us to higher volatility in certain component costs. We will continue to attempt to offset raw material cost increases with formula or long-term supply agreements, price increases and hedging activities where feasible. We do not anticipate that a shortage of raw materials will cause any material adverse impacts during 2010. See "Item 1A. Risk Factors" for further discussion.

We are highly dependent on our suppliers and subcontractors in order to meet commitments to our customers. In addition, many major components and product equipment items are procured or subcontracted on a single-source basis with a number of domestic and foreign companies. We maintain a qualification and performance surveillance process to control risk associated with such reliance on third parties. While we believe that sources of supply for raw materials and components are generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. Furthermore, the inability of these suppliers to meet their quality and/or delivery commitments to us, due to bankruptcy, natural disasters or any other reason, may result in significant costs and delay, including those in connection with the required recertification of parts from new suppliers with our customers or regulatory agencies.

Patents, Trademarks, Licenses and Distribution Rights

Our segments are not dependent upon any single patent or related group of patents, or any licenses or distribution rights. We own, or are licensed under, a large number of patents, patent applications and trademarks acquired over a period of many years, which relate to many of our products or improvements to those products and which are of importance to our business. From time to time, new patents and trademarks are obtained, and patent and trademark licenses and rights are acquired from others. We also have distribution rights of varying terms for a number of products and services produced by other companies. In our judgment, those rights are adequate for the conduct of our business. We believe that, in the aggregate, the rights under our patents, trademarks and licenses are generally important to our operations, but we do not consider any patent, trademark or related group of patents, or any licensing or distribution rights related to a specific process or product, to be of material importance in relation to our total business. See "Item 1A. Risk Factors" for further discussion.

We have registered trademarks for a number of our products and services, including Honeywell, Aclar, Ademco, Autolite, Bendix, Enovate, Fire-Lite, FRAM, Garrett, Hand Held, Holts, Jurid, Metrologic, MK, North, Notifier, Novar, Prestone, Redex, RMG, Simoniz, Spectra, System Sensor and UOP.

Research and Development

Our research activities are directed toward the discovery and development of new products, technologies and processes and the development of new uses for existing products. The Company has research and development activities in the U.S., Europe, India and China.

Research and development (R&D) expense totaled $1,330, $1,543 and $1,459 million in 2009, 2008 and 2007, respectively. The decrease in R&D expense in 2009 compared to 2008 of 14 percent was consistent with our 15 percent decrease in net sales. However, as a percentage of sales, R&D increased to 4.3 percent in 2009 compared to 4.2 percent in 2008. The increase as a percentage of sales was driven by lower sales, product, design and development costs in Automation and Control Solutions and Specialty Materials as well as expenditures on the development of turbocharging systems for new platforms, partially offset by lower R&D expense in Aerospace primarily due to major program completions. The increase in R&D expense in 2008 compared to 2007 of 6 percent was mainly due to additional product, design and development costs in Automation and Control Solutions, increased expenditures on the development of products for new aircraft platforms and increased expenditures on the development of turbocharging systems for new platforms. Customer-sponsored (principally the U.S. Government) R&D activities amounted to an additional $852, $903 and $881 million in 2009, 2008 and 2007, respectively.

Environment

We are subject to various federal, state, local and foreign government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. It is our policy to comply with these requirements, and we believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage, and of resulting financial liability, in connection with our business. Some risk of environmental damage is, however, inherent in some of our operations and products, as it is with other companies engaged in similar businesses.

We are and have been engaged in the handling, manufacture, use and disposal of many substances classified as hazardous by one or more regulatory agencies. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury, and that our handling, manufacture, use and disposal of these substances are in accord with environmental and safety laws and regulations. It is possible, however, that future knowledge or other developments, such as improved capability to detect substances in the environment or increasingly strict environmental laws and standards and enforcement policies, could bring into question our current or past handling, manufacture, use or disposal of these substances.

Among other environmental requirements, we are subject to the federal superfund and similar state and foreign laws and regulations, under which we have been designated as a potentially responsible party that may be liable for cleanup costs associated with current and former operating sites and various hazardous waste sites, some of which are on the U.S. Environmental Protection Agency's Superfund priority list. Although, under some court interpretations of these laws, there is a possibility that a responsible party might have to bear more than its proportional share of the cleanup costs if it is unable to obtain appropriate contribution from other responsible parties, we have not had to bear significantly more than our proportional share in multi-party situations taken as a whole.

We do not believe that existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on the Company's business or markets that it serves, nor on its results of operations, capital expenditures or financial position. We will continue to monitor emerging developments in this area.

Further information, including the current status of significant environmental matters and the financial impact incurred for remediation of such environmental matters, if any, is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in Note 21 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data," and in "Item 1A. Risk Factors."

Employees

We have approximately 122,000 employees at December 31, 2009, of which approximately 54,000 were located in the United States.

Item 1A. Risk Factors

Cautionary Statement about Forward-Looking Statements

We have described many of the trends and other factors that drive our business and future results in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", including the overview of the Company and each of our segments and the discussion of their respective economic and other factors and areas of focus for 2010. These sections and other parts of this report (including this Item 1A) contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements are those that address activities, events or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management's assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties that can affect our performance in both the near-and long-term. These forward-looking statements should be considered in light of the information included in this Form 10-K, including, in particular, the factors discussed below.

Risk Factors

Our business, operating results, cash flows and financial condition are subject to various risks and uncertainties, including, without limitation, those set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

Industry and economic conditions may adversely affect the market and operating conditions of our customers, which in turn can affect demand for our products and services and our results of operations.

The operating results of our segments are impacted by general global industry and economic conditions that can cause changes in spending and capital investment patterns, demand for our products and services and the level of our manufacturing and shipping costs. The operating results of our Aerospace segment, which generated 35 percent of our consolidated revenues in 2009, are directly tied to cyclical industry and economic conditions, including global demand for air travel as reflected in new aircraft production, the deferral or cancellation of orders for new aircraft, delays in launch schedules for new aircraft platforms, the retirement of aircraft, global flying hours, and business and general aviation aircraft utilization rates, as well as changes in customer buying patterns with respect to aftermarket parts, supplier consolidation, factory transitions, capacity constraints, and the level and mix of U.S. Government appropriations for defense and space programs (as further discussed in other risk factors below). The challenging operating environment faced by the commercial airline industry is expected to continue and may be influenced by a wide variety of factors including global flying hours, aircraft fuel prices, labor issues, airline consolidation, airline insolvencies, terrorism and safety concerns as well as changes in regulations. Future terrorist actions or pandemic health issues could dramatically reduce both the demand for air travel and our Aerospace aftermarket sales and margins. The operating results of our Automation and Control Solutions (ACS) segment, which generated 41 percent of our consolidated revenues in 2009, are impacted by the level of global residential and commercial construction (including retrofits and upgrades), capital spending and operating expenditures on building and process automation, industrial plant capacity utilization and expansion, inventory levels in distribution channels, and global economic growth rates. Specialty Materials' operating results, which generated 13 percent of our consolidated revenues in 2009, are impacted by global economic growth rates, capacity utilization for chemical, industrial, refining, petrochemical and semiconductor plants, our customers' availability of capital for refinery construction and expansion, and commodity demand volatility. Transportation Systems' operating results, which generated 11 percent of our consolidated revenues in 2009, are impacted by global production and demand for automobiles and trucks equipped with turbochargers, and regulatory changes regarding automobile and truck emissions and fuel economy, delays in launch schedules for new automotive platforms, and consumer demand and spending for automotive aftermarket and car care products. The challenging operating environment faced by global automotive and truck manufacturers is expected to continue and may be influenced by a wide variety of factors, including access to and terms of government assistance, ability to reduce high inventory levels, ability to reduce operating costs, and the ability of consumers to obtain financing for new vehicle purchases. Each of the segments is impacted by volatility in raw material prices (as further described below) and non-material inflation.

Raw material price fluctuations and the ability of key suppliers to meet quality and delivery requirements can increase the cost of our products and services and impact our ability to meet commitments to customers.

The cost of raw materials is a key element in the cost of our products, particularly in our Specialty Materials (benzene (the key component in phenol), natural gas, ethylene, fluorspar and sulfur), Transportation Systems (nickel, steel, other metals and ethylene glycol) and Aerospace (nickel, titanium and other metals) segments. Our inability to offset material price inflation through increased prices to customers, formula or long-term fixed price contracts with suppliers, productivity actions or through commodity hedges could adversely affect our results of operations.

Our manufacturing operations are also highly dependent upon the delivery of materials (including raw materials) by outside suppliers and their assembly of major components and subsystems used in our products in a timely manner and in full compliance with purchase order terms and conditions, quality standards, and applicable laws and regulations. In addition, many major components and product equipment items are procured or subcontracted on a single-source basis; in limited circumstances these suppliers are the sole source of the component or equipment. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' ability to adjust delivery of long-lead time products during times of volatile demand. Our suppliers may fail to perform according to specifications as and when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance. The supply chains for our businesses could also be disrupted by external events such as natural disasters, extreme weather events, pandemic health issues, terrorist actions, labor disputes, governmental actions and legislative or regulatory changes (e.g., product certification or stewardship requirements, sourcing restrictions, climate change or greenhouse gas emission standards, etc.). Our inability to fill our supply needs would jeopardize our ability to fulfill obligations under commercial and government contracts, which could, in turn, result in reduced sales and profits, contract penalties or terminations, and damage to customer relationships. Transitions to new suppliers may result in significant costs and delays, including those related to the required recertification of parts obtained from new suppliers with our customers and/or regulatory agencies. In addition, because our businesses cannot always immediately adapt their cost structure to changing market conditions, our manufacturing capacity for certain products may at times exceed or fall short of our production requirements, which could adversely impact our operating costs, profitability and customer and supplier relationships.

Our future growth is largely dependent upon our ability to develop new technologies that achieve market acceptance with acceptable margins.

Our businesses operate in global markets that are characterized by rapidly changing technologies and evolving industry standards. Accordingly, our future growth rate depends upon a number of factors, including our ability to (i) identify emerging technological trends in our target end-markets, (ii) develop and maintain competitive products, (iii) enhance our products by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products, (iv) develop, manufacture and bring products to market quickly and cost-effectively, and (v) develop and retain individuals with the requisite expertise.

Our ability to develop new products based on technological innovation can affect our competitive position and requires the investment of significant resources. These development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new technologies or products on a timely basis or that meet the needs of our customers as fully as competitive offerings. In addition, the markets for our products may not develop or grow as we currently anticipate. The failure of our technologies or products to gain market acceptance due to more attractive offerings by our competitors could significantly reduce our revenues and adversely affect our competitive standing and prospects.

Protecting our intellectual property is critical to our innovation efforts.

We own or are licensed under a large number of U.S. and non-U.S. patents and patent applications, trademarks and copyrights. Our intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties or we may be unable to maintain, renew or enter into new licenses of third party proprietary intellectual property on commercially reasonable terms. In some non-U.S. countries, laws affecting intellectual property are uncertain in their application, which can affect the scope or enforceability of our patents and other intellectual property rights. Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, subject us to judgments, penalties and significant litigation costs, and/or temporarily or permanently disrupt our sales and marketing of the affected products or services.

An increasing percentage of our sales and operations is in non-U.S. jurisdictions and is subject to the economic, political, regulatory and other risks of international operations.

Our international operations, including U.S. exports, comprise a growing proportion of our operating results. Our strategy calls for increasing sales to and operations in overseas markets, including developing markets such as Mexico, China, India, the Middle East and Eastern Europe. In 2009, 51 percent of our total sales (including products manufactured in the U.S. and in international locations) were outside of the U.S. including 28 percent in Europe and 11 percent in Asia. Risks related to international operations include exchange control regulations, wage and price controls, employment regulations, foreign investment laws, import, export and other trade restrictions (such as embargoes and trade restrictions), changes in regulations regarding transactions with state-owned enterprises, nationalization of private enterprises, government instability, and our ability to hire and maintain qualified staff and maintain the safety of our employees in these regions. The cost of compliance with increasingly complex and often conflicting regulations worldwide can also impair our flexibility in modifying product, marketing, pricing or other strategies for growing our businesses, as well as our ability to improve productivity and maintain acceptable operating margins.

As we continue to grow our businesses internationally, our operating results could be increasingly affected by the relative strength of the European and Asian economies and the impact of exchange rate fluctuations. We do have a policy to reduce the risk of volatility through hedging activities, but such activities bear a financial cost and may not always be available to us and may not be successful in eliminating such volatility.

We may be required to recognize impairment charges for our long-lived assets or available for sale investments.

At December 31, 2009, the net carrying value of long-lived assets (property, plant and equipment, goodwill and other intangible assets) and available for sale securities totaled approximately $17.5 billion and $0.1 billion, respectively. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may result in impairments to goodwill and other long-lived assets. An other than temporary decline in the market value of our available for sale securities may also result in an impairment charge. Future impairment charges could significantly affect our results of operations in the periods recognized. Impairment charges would also reduce our consolidated shareowners' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to the public debt and equity markets.

A change in the level of U.S. Government defense and space funding or the mix of programs to which such funding is allocated could adversely impact sales of Aerospace's defense and space-related product and services.

Sales of our defense and space-related products and services are largely dependent upon government budgets, particularly the U.S. defense budget. Sales as a prime contractor and subcontractor to the U.S. Department of Defense comprised approximately 32 and 11 percent of Aerospace and total sales, respectively, for the year ended December 31, 2009. Although U.S. defense spending increased in 2009 and is expected to increase again in 2010, we cannot predict the extent to which total funding and/or funding for individual programs will be included, increased or reduced as part of the 2011 and subsequent budgets ultimately approved by Congress, or be included in the scope of separate supplemental appropriations. We also cannot predict the impact of potential changes in priorities due to military transformation and planning and/or the nature of war-related activity on existing, follow-on or replacement programs. A shift in defense or space spending to programs in which we do not participate and/or reductions in funding for or termination of existing programs could adversely impact our results of operations.

As a supplier of military and other equipment to the U.S. Government, we are subject to unusual risks, such as the right of the U.S. Government to terminate contracts for convenience and to conduct audits and investigations of our operations and performance.

In addition to normal business risks, companies like Honeywell that supply military and other equipment to the U.S. Government are subject to unusual risks, including dependence on Congressional appropriations and administrative allotment of funds, changes in governmental procurement legislation and regulations and other policies that reflect military and political developments, significant changes in contract scheduling, complexity of designs and the rapidity with which they become obsolete, necessity for constant design improvements, intense competition for U.S. Government business necessitating increases in time and investment for design and development, difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work, and other factors characteristic of the industry, such as contract award protests and delays in the timing of contract approvals. Changes are customary over the life of U.S. Government contracts, particularly development contracts, and generally result in adjustments of contract prices.

Our contracts with the U.S. Government are subject to audits. Like many other government contractors, we have received audit reports that recommend downward price adjustments to certain contracts or changes to certain accounting systems or controls to comply with various government regulations. We have made adjustments and paid voluntary refunds in appropriate cases and may do so in the future.

U.S. Government contracts are subject to termination by the government, either for the convenience of the government or for our failure to perform under the applicable contract. In the case of a termination for convenience, we are typically entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If a contract is terminated by the government for our failure to perform we could be liable for additional costs incurred by the government in acquiring undelivered goods or services from any other source and any other damages suffered by the government.

We are also subject to government investigations of business practices and compliance with government procurement regulations. If Honeywell or one of its businesses were charged with wrongdoing as a result of any such investigation or other government investigations (including violations of certain environmental or export laws), it could be suspended from bidding on or receiving awards of new government contracts, suspended from contract performance pending the completion of legal proceedings and/or have its export privileges suspended. The U.S. Government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other egregious misconduct. Debarment generally does not exceed three years.

Our reputation and ability to do business may be impacted by the improper conduct of employees, agents or business partners.

We cannot ensure that our extensive compliance controls, policies and procedures will in all instances protect us from reckless or criminal acts committed by our employees, agents or business partners that would violate the laws of the jurisdictions in which the Company operates, including laws governing payments to government officials, competition and data privacy. Any improper actions could subject us to civil or criminal investigations, monetary and non-monetary penalties and could adversely impact our ability to conduct business, results of operations and reputation.

Changes in legislation or government regulations or policies can have a significant impact on our results of operations.

The sales and margins of each of our segments are directly impacted by government regulations. Safety and performance regulations (including mandates of the Federal Aviation Administration and other similar international regulatory bodies requiring the installation of equipment on aircraft), product certification requirements and government procurement practices can impact Aerospace sales, research and development expenditures, operating costs and profitability. The demand for and cost of providing Automation and Control Solutions products, services and solutions can be impacted by fire, security, safety, health care, environmental and energy efficiency standards and regulations. Specialty Materials' results of operations can be affected by environmental (e.g. government regulation of fluorocarbons), safety and energy efficiency standards and regulations, while emissions and energy efficiency standards and regulations can impact the demand for turbochargers in our Transportation Systems segment. Legislation or regulations regarding areas such as labor and employment, employee benefit plans, tax, health and safety matters, import, export and trade, intellectual property, product certification, product liability and environmental remediation may impact the results of each of our operating segments and our consolidated results.

Completed acquisitions may not perform as anticipated or be integrated as planned, and divestitures may not occur as planned.

We regularly review our portfolio of businesses and pursue growth through acquisitions and seek to divest non-core businesses. We may not be able to complete transactions on favorable terms, on a timely basis or at all. In addition, our results of operations and cash flows may be adversely impacted by (i) the failure of acquired businesses to meet or exceed expected returns, (ii) the discovery of unanticipated issues or liabilities, (iii) the failure to integrate acquired businesses into Honeywell on schedule and/or to achieve synergies in the planned amount or within the expected timeframe, (iv) the inability to dispose of non-core assets and businesses on satisfactory terms and conditions and within the expected timeframe, and (v) the degree of protection provided by indemnities from sellers of acquired companies and the obligations under indemnities provided to purchasers of our divested businesses.

We cannot predict with certainty the outcome of litigation matters, government proceedings and other contingencies and uncertainties.

We are subject to a number of lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability (including asbestos), prior acquisitions and divestitures, employment, employee benefits plans, intellectual property, import and export matters and environmental, health and safety matters. Resolution of these matters can be prolonged and costly, and the ultimate results or judgments are uncertain due to the inherent uncertainty in litigation and other proceedings. Moreover, our potential liabilities are subject to change over time due to new developments, changes in settlement strategy or the impact of evidentiary requirements, and we may be required to pay damage awards or settlements, or become subject to damage awards or settlements, that could have a material adverse effect on our results of operations, cash flows and financial condition. While we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover the total amount of all insured claims and liabilities. It also is not possible to obtain insurance to protect against all our operational risks and liabilities. The incurrence of significant liabilities for which there is no or insufficient insurance coverage could adversely affect our results of operations, cash flows, liquidity and financial condition.

Our operations and the prior operations of predecessor companies expose us to the risk of material environmental liabilities.

Mainly because of past operations and operations of predecessor companies, we are subject to potentially material liabilities related to the remediation of environmental hazards and to claims of personal injuries or property damages that may be caused by hazardous substance releases and exposures. We have incurred remedial response and voluntary clean-up costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. We are subject to various federal, state, local and foreign government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. These laws and regulations can impose substantial fines and criminal sanctions for violations, and require installation of costly equipment or operational changes to limit emissions and/or decrease the likelihood of accidental hazardous substance releases. We incur, and expect to continue to incur capital and operating costs to comply with these laws and regulations. In addition, changes in laws, regulations and enforcement of policies, the discovery of previously unknown contamination or new technology or information related to individual sites, or the imposition of new clean-up requirements or remedial techniques could require us to incur costs in the future that would have a negative effect on our financial condition or results of operations.

Our expenses include significant costs related to employee and retiree health benefits.

With approximately 122,000 employees, including approximately 54,000 in the U.S., our expenses relating to employee health and retiree health benefits are significant. In recent years, we have experienced significant increases in certain of these costs, largely as a result of economic factors beyond our control, in particular, ongoing increases in health care costs well in excess of the rate of inflation. Continued increasing health-care costs, legislative or regulatory changes, and volatility in discount rates, as well as changes in other assumptions used to calculate retiree health benefit expenses, may adversely affect our financial position and results of operations.

Risks related to our defined benefit pension plans may adversely impact our results of operations and cash flow.

Significant changes in actual investment return on pension assets, discount rates, and other factors could adversely affect our results of operations and pension contributions in future periods. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for our U.S. pension plans may become more significant. However, the ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations. For a discussion regarding the significant assumptions used to estimate pension expense, including discount rate and the expected long-term rate of return on plan assets, and how our financial statements can be affected by pension plan accounting policies, see "Critical Accounting Policies" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Additional tax expense or additional tax exposures could affect our future profitability.

We are subject to income taxes in both the United States and various non-U.S. jurisdictions, and our domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. In 2009, our tax expense represented 26.5 percent of our income before tax, and includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could effect the valuation of our deferred tax assets. Our future results could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures.

Volatility of credit markets or macro-economic factors could adversely affect our business.

Changes in U.S. and global financial and equity markets, including market disruptions, limited liquidity, and interest rate volatility, may increase the cost of financing as well as the risks of refinancing maturing debt. In addition, our borrowing costs can be affected by short and long-term ratings assigned by independent rating agencies. A decrease in these ratings could increase our cost of borrowing.

Delays in our customers' ability to obtain financing, or the unavailability of financing to our customers, could adversely affect our results of operations and cash flow. The inability of our suppliers to obtain financing could result in the need to transition to alternate suppliers, which could result in significant incremental cost and delay, as discussed above. Lastly, disruptions in the U.S. and global financial markets could impact the financial institutions with which we do business.

Item 1B. Unresolved Staff Comments

Not Applicable

Item 2. Properties

We have approximately 1,300 locations consisting of plants, research laboratories, sales offices and other facilities. Our headquarters and administrative complex is located at Morris Township, New Jersey. Our plants are generally located to serve large marketing areas and to provide accessibility to raw materials and labor pools. Our properties are generally maintained in good operating condition. Utilization of these plants may vary with sales to customers and other business conditions; however, no major operating facility is significantly idle. We own or lease warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. We also lease space for administrative and sales staffs. Our properties and equipment are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

Our principal plants, which are owned in fee unless otherwise indicated, are as follows:

	Aerospace	
Anniston, AL (leased)	South Bend, IN	Greer, SC
Glendale, AZ (leased)	Olathe, KS	Toronto, Canada
Phoenix, AZ	Minneapolis, MN (partially leased)	Raunheim, Germany
Tempe, AZ	Plymouth, MN	Penang, Malaysia
Tucson, AZ	Rocky Mount, NC	Singapore (leased)
Torrance, CA	Albuquerque, NM	Yeovil, UK (leased)
Clearwater, FL	Urbana, OH	
	Automation and Control Solutions	
Phoenix, AZ (leased)	Skaneateles Falls, NY	Juarez, Mexico (partially leased)
San Diego, CA (leased)	Suzhou, China	Tijuana, Mexico (leased)
Northford, CT	Mosbach, Germany	Emmen, Netherlands
Freeport, IL	Neuss, Germany (leased)	Newhouse, Scotland
St. Charles, IL (leased)	Schonaich, Germany (leased)	Chihuahua, Mexico
Golden Valley, MN	Pune, India (leased)	

	Specialty Materials	
Mobile, AL	Geismar, LA	Colonial Heights, VA
Des Plaines, IL	Shreveport, LA	Hopewell, VA
Metropolis, IL	Pottsville, PA	Spokane, WA
Baton Rouge, LA	Orange, TX	Seelze, Germany
	Chesterfield, VA	
	Transportation Systems	
Shanghai, China	Atessa, Italy	Mexicali, Mexico (partially leased)
Conde, France	Kodama, Japan	Bucharest, Romania
Glinde, Germany	Ansan, Korea (leased)	Barcelona, Spain
Waterford, Ireland		

Item 3. Legal Proceedings

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 21 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Environmental Matters Involving Potential Monetary Sanctions in Excess of $100,000

The United States Environmental Protection Agency and the United States Department of Justice ("federal authorities") are investigating whether the storage of certain sludges generated during uranium hexafluoride production at our Metropolis, Illinois facility has been in compliance with the requirements of the Resource Conservation and Recovery Act. The federal authorities have convened a grand jury in this matter. This storage issue was previously voluntarily disclosed to the Illinois Environmental Protection Agency, with whom Honeywell has been working to resolve the matter. The Company has met with the federal authorities and is cooperating fully with the investigation. Although the outcome of this matter cannot be predicted with certainty, we do not believe that it will have a material adverse effect on our consolidated financial position, consolidated results of operations or operating cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Executive Officers of the Registrant

The executive officers of Honeywell, listed as follows, are elected annually by the Board of Directors. There are no family relationships among them.

Name, Age, Date First Elected an Executive Officer	Business Experience
David M. Cote (a), 57 2002	Chairman of the Board and Chief Executive Officer since July 2002.
Alexandre Ismail, 44 2009	President and Chief Executive Officer Transportation Systems since April 2009. President Turbo Technologies from November 2008 to April 2009. President Global Passengers Vehicles from August 2006 to November 2008. Vice President and General Manager Turbo Technologies EMEA & India from September 2003 to August 2006.
Roger Fradin, 56 2004	President and Chief Executive Officer Automation and Control Solutions since January 2004.
Timothy O. Mahoney, 53 2009	President and Chief Executive Officer Aerospace since September 2009. Vice President Aerospace Engineering and Technology and Chief Technology Officer from March 2007 to August 2009. President of Air Transport and Regional from July 2005 to March 2007. Vice President and General Manager Aviation Aftermarket Services from July 2004 to July 2005.
Andreas C. Kramvis, 57 2008	President and Chief Executive Officer Specialty Materials since March 2008. President of Environmental and Combustion Controls from September 2002 to February 2008.
David J. Anderson, 60 2003	Senior Vice President and Chief Financial Officer since June 2003.
Larry E. Kittelberger, 61 2001	Senior Vice President Technology and Operations since October 2006. Senior Vice President Administration and Chief Information Officer from August 2001 to October 2006.
Katherine L. Adams, 45 2009	Senior Vice President and General Counsel since April 2009. Vice President and General Counsel from September 2008 to April 2009. Vice President and General Counsel for Specialty Materials from February 2005 to September 2008.
Mark R. James, 48 2007	Senior Vice President Human Resources and Communications since November 2007. Vice President of Human Resources and Communications for Aerospace from October 2004 to November 2007. Vice President of Human Resources for Aerospace Electronic Systems from March 2001 to October 2004.

(a)Also a Director.

Part II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

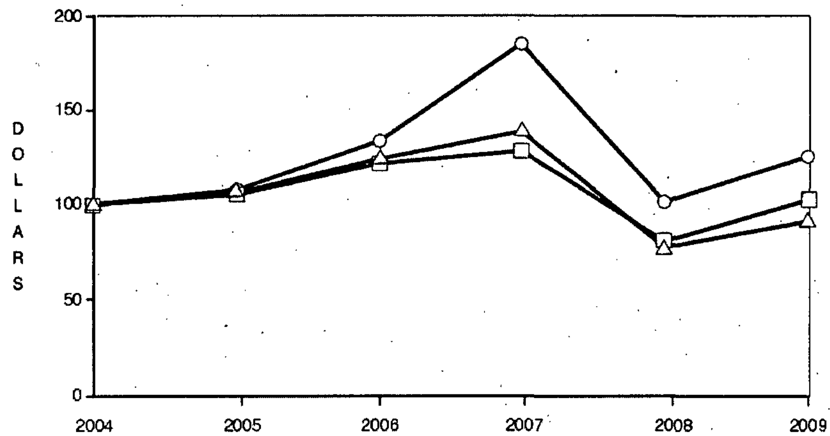
Market and dividend information for Honeywell's common stock is included in Note 26 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The number of record holders of our common stock at December 31, 2009 was 64,617.

Honeywell did not purchase any of its common stock, par value $1 per share, for the year ending December 31, 2009. Under the Company's previously reported $3.0 billion share repurchase program, $1.3 billion remained available as of December 31, 2009 for additional share repurchases. The amount and timing of future repurchases may vary depending on market conditions and the level of operating and other investing activities.

Performance Graph

The following graph compares the five-year cumulative total return on our Common Stock to the total returns on the Standard & Poor's 500 Stock Index and a composite of Standard & Poor's Aerospace and Defense and Industrial Conglomerates indices, on an equally weighted basis (the "Composite Index"). The selection and weighting of the Aerospace and Defense component of the Composite Index was deemed appropriate in light of the fact that Honeywell's Aerospace segment has accounted for, on average, approximately 50% of our aggregate segment profit over the past three completed fiscal years. The selection and weighting of the Industrial Conglomerates component of the Composite Index reflects the diverse and distinct range of non-aerospace businesses conducted by Honeywell and their contribution to our overall segment profits. The annual changes for the five-year period shown in the graph are based on the assumption that $100 had been invested in Honeywell stock and each index on December 31, 2004 and that all dividends were reinvested.



		Dec 2004	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009
Honeywell	-○-	100	107.55	133.54	185.14	101.18	125.28
S&P 500®	-□-	100	104.91	121.48	128.16	80.74	102.11
Composite Index	-△-	100	106.06	123.96	138.63	77.61	91.11

HONEYWELL INTERNATIONAL INC.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(Dollars in millions, except per share amounts)				
Results of Operations					
Net sales	$ 30,908	$ 36,556	$ 34,589	$ 31,367	$ 27,652
Net income attributable to Honeywell	2,153	2,792	2,444	2,078	1,564
Per Common Share					
Earnings from continuing operations:					
Basic	2.86	3.79	3.20	2.53	1.85
Assuming dilution	2.85	3.76	3.16	2.51	1.84
Dividends	1.21	1.10	1.00	0.9075	0.825
Financial Position at Year-End					
Property, plant and equipment—net	4,847	4,934	4,985	4,797	4,658
Total assets	36,004	35,490	33,805	30,941	31,633
Short-term debt	1,361	2,510	2,238	1,154	2,024
Long-term debt	6,246	5,865	5,419	3,909	3,082
Total debt	7,607	8,375	7,657	5,063	5,106
Shareowners' equity(1)	8,954	7,269	9,293	9,777	10,806

(1)For the year ended December 31, 2006 shareowners' equity includes a reduction of $1,512 related to the adoption of revised accounting guidance for "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans".

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. ("Honeywell") for the three years ended December 31, 2009. All references to Notes relate to Notes to the Financial Statements in "Item 8—Financial Statements and Supplementary Data".

CONSOLIDATED RESULTS OF OPERATIONS

Net Sales

	2009	2008	2007
		(Dollars in millions)	
Net sales	$ 30,908	$ 36,556	$ 34,589
% change compared with prior year	(15)%	6%	

The change in net sales in 2009 and 2008 is attributable to the following:

	2009 Versus 2008	2008 Versus 2007

Volume	(14)%	—%
Foreign Exchange	(2)	1
Acquisitions/Divestitures	1	3
Price	—	2
	(15)%	6%

A discussion of net sales by segment can be found in the Review of Business Segments section of this MD&A.

Cost of Products and Services Sold

	2009	2008	2007
		(Dollars in millions)	
Cost of products and services sold	$ 23,185	$ 27,994	$ 26,300
% change compared with prior period	(17)%	6%	
Gross margin %	25.0%	23.4%	24.0%

Cost of products and services sold decreased by $4,809 million or 17 percent in 2009 compared with 2008. The decrease is primarily due to lower sales as a result of the factors discussed within the Review of Business Segments section of this MD&A, lower material costs, reduced labor costs (reflecting reduced census, work scheduled reductions, benefits from prior repositioning actions and lower incentive compensation), the positive impact of indirect cost savings initiatives across each of our Business Segments and lower repositioning charges.

Gross margin increased by 1.6 percent in 2009 compared with 2008 primarily due to increases of 2.9 and 0.6 percent, respectively in our Specialty Materials and Automation & Controls Solutions segments, as a result of the cost savings initiatives discussed above and lower repositioning charges, partially offset by lower margins in our Transportation Systems and Aerospace Solutions segments of 3.2 and 0.7 percent, respectively, due to lower sales partially offset by the impact of cost savings initiatives.

Cost of products and services sold increased by $1,694 million or 6 percent in 2008 compared with 2007. The increase is primarily due to higher sales as a result of the factors discussed within the Review of Business Segments section of this MD&A, acquisitions and higher repositioning charges, partially offset by lower pension and other post retirement benefits expense.

Gross margin decreased by 0.6 of a percentage point in 2008 compared with 2007 primarily due to (i) higher repositioning charges and (ii) decreases of 2.2 and 1.4 percent, respectively, in our Transportation Systems and Specialty Materials segments, primarily due to lower sales volume, partially offset by (i) lower pension and other post retirement benefits expense, (ii) higher margins in our Automation and Controls Solutions segment of 0.8 of a percentage point mainly resulting from productivity savings, and (iii) higher margins in our Aerospace segment of 0.2 of a percentage point mainly resulting from sales volume growth and increased prices.

Selling, General and Administrative Expenses

	2009	2008	2007
		(Dollars in millions)	
Selling, general and administrative expenses	$ 4,341	$ 5,033	$ 4,565
Percent of sales	14.0%	13.8%	13.2%

Selling general and administrative expenses (SG&A) as a percentage of sales increased by 0.2 of a percentage point in 2009 compared with 2008. The increase as a percentage of sales was driven by lower sales volumes, substantially offset by i) the positive impact of indirect cost savings initiatives across each of our Business Segments, ii) reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation) and iii) lower repositioning charges, resulting in decreased SG&A expense of $692 million.

SG&A as a percentage of sales increased by 0.6 of a percentage point in 2008 compared with 2007. The increase was primarily due to higher SG&A in our Automation and Control Solutions segment mainly due to acquisitions, partially offset by decreases in SG&A in our Specialty Materials and Aerospace segments mainly due to cost savings initiatives and the positive impact of prior repositioning actions.

Other (Income)/Expense

	2009	2008	2007
	(Dollars in millions)		
Gain on sale of non-strategic businesses and assets	$ (87)	$ (635)	$ (19)
Equity (income)/loss of affiliated companies	(26)	(63)	(10)
Interest income	(33)	(102)	(81)
Foreign exchange	45	52	34
Other (net)	46	—	7
Total	$ (55)	$ (748)	$ (69)

Other income decreased by $693 million in 2009 compared to 2008 primarily due to i) a lower gain on sale of non-strategic businesses and assets due to the gain on the sale of our Consumables Solutions business in 2008 partially offset by a gain related to the deconsolidation of a subsidiary within our Automation and Control Solutions segment in 2009 (See Note 4 to the financial statements) and ii) lower interest income primarily due to lower interest rates on cash balances.

Other income increased by $679 million in 2008 compared to 2007 primarily due to a higher gain on sale of non-strategic businesses and assets representing the sale of our Consumables Solutions business and higher income from equity method investments (mainly in our Specialty Material segment).

Interest and Other Financial Charges

	2009	2008	2007
	(Dollars in millions)		
Interest and other financial charges	$ 459	$ 456	$ 456
% change compared with prior year	1 %	—%	

Interest and other financial charges increased 1 percent in 2009 compared with 2008 due to lower debt balances offset by higher borrowing costs on term debt. Interest and other financial charges were flat in 2008 compared to 2007 due to higher debt balances offset by lower borrowing costs.

Tax Expense

	2009	2008	2007
	(Dollars in millions)		
Tax expense	$ 789	$ 1,009	$ 877
Effective tax rate	26.5 %	26.4 %	26.3 %

The effective tax rate increased by 0.1 of a percentage point in 2009 compared with 2008 due principally to a decreased impact from the settlement of audits, partially offset by increased benefits from (i) U.S. manufacturing incentives, (ii) U.S. tax credits and (iii) employee stock ownership plan dividends. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign rates.

The effective tax rate increased by 0.1 of a percentage point in 2008 compared with 2007 due principally to a higher overall state effective tax rate and a decreased impact from the settlement of audits, partially offset by a decrease in the foreign effective tax rate. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign tax rates.

In 2010, the effective tax could change based upon the Company's operating results and the outcome of tax positions taken regarding previously filed tax returns currently under audit by various Federal, State and foreign tax authorities, several of which may be finalized in the foreseeable future. The Company believes that it has adequate reserves for these matters, the outcome of which could materially impact the results of operations and operating cash flows in the period they are resolved.

Net Income Attributable to Honeywell

	2009	2008	2007
	(Dollars in millions, except per share amounts)		
Net income attributable to Honeywell	$ 2,153	$ 2,792	$ 2,444
Earnings per share of common stock—assuming dilution	$ 2.85	$ 3.76	$ 3.16

The decrease of $0.91 in earnings per share of common stock—assuming dilution in 2009 compared with 2008 primarily relates to a decrease in segment profit in each of our business segments, decreased Other (Income) Expense, as discussed above, and an increase in the number of shares outstanding partially offset by lower repositioning charges.

The increase of $0.60 in earnings per share of common stock—assuming dilution in 2008 compared with 2007 primarily relates to (i) the gain on sale of the Consumables Solutions business, (ii) lower pension and other post retirement expense, (iii) an increase in segment profit (most significantly in Automation and Control Solutions and Aerospace, partially offset by a decline in Transportation Systems segment profit) and (iv) a reduction in the number of shares outstanding due to share repurchases, partially offset by increased repositioning costs.

For further discussion of segment results, see "Review of Business Segments".

BUSINESS OVERVIEW

This Business Overview provides a summary of Honeywell and its four reportable operating segments (Aerospace, Automation and Control Solutions, Specialty Materials and Transportation Systems), including their respective areas of focus for 2010 and the relevant economic and other factors impacting their results, and a discussion of each segment's results for the three years ended December 31, 2009. Each of these segments is comprised of various product and service classes that serve multiple end markets. See Note 23 to the financial statements for further information on our reportable segments and our definition of segment profit.

Economic and Other Factors

In addition to the factors listed below with respect to each of our operating segments, our consolidated operating results are principally driven by:

- Impact of global economic growth rates (U.S., Europe and emerging regions) and industry conditions on demand in our key end markets;
- Overall sales mix, in particular the mix of Aerospace original equipment and aftermarket sales and the mix of Automation and Control Solutions (ACS) products and services sales;
- The extent to which cost savings from productivity actions are able to offset or exceed the impact of material and non-material inflation;
- The impact of the pension discount rate on pension expense and pension asset returns on funding requirements; and
- The impact of changes in foreign currency exchange rate, particularly the U.S. dollar-Euro exchange rate.

Areas of Focus for 2010

The areas of focus for 2010, which are generally applicable to each of our operating segments, include:

- Driving profitable growth by building innovative products that address customer needs;
- Achieving sales growth, technological excellence and manufacturing capability through global expansion, especially focused on emerging regions in China, India and the Middle East;
- Proactively managing raw material costs through formula and long term supply agreements, price increases and hedging activities, where feasible;

- Driving cash flow conversion through effective working capital management and capital investment in our businesses, thereby enabling liquidity, repayment of debt, strategic acquisitions, and the ability to return value to shareholders;
- Actively monitoring trends in short-cycle end markets, such as the Transportations Systems Turbo business, ACS Products businesses, Aerospace commercial aftermarket and Specialty Materials resins and chemicals, and continuing to take proactive cost actions;
- Aligning and prioritizing investments in long-term growth vs. short-term demand volatility;
- Driving productivity savings through execution of repositioning actions;
- Maintaining reduced discretionary spending levels with focus on non-customer related costs;
- Ensuring preparedness to maximize performance in response to the end of customer inventory de-stocking and/or improving end market conditions while controlling costs by proactively managing capacity utilization, supply chain and inventory demand;
- Utilizing our enablers Honeywell Operating System (HOS), Functional Transformation and Velocity Product Development (VPD) to standardize the way we work, increase quality and reduce the costs of product manufacturing, reduce costs and enhance the quality of our administrative functions and improve business operations through investments in systems and process improvements;
- Monitoring both suppliers and customers for signs of liquidity constraints, limiting exposure to any resulting inability to meet delivery commitments or pay amounts due, and identifying alternate sources of supply as necessary; and
- Managing Corporate costs, including costs incurred for asbestos and environmental matters, pension and other post-retirement expenses and our tax expense.

Review of Business Segments

	2009	2008	2007
		(Dollars in millions)	
Net Sales			
Aerospace	$ 10,763	$ 12,650	$ 12,236
Automation and Control Solutions	12,611	14,018	12,478
Specialty Materials	4,144	5,266	4,866
Transportation Systems	3,389	4,622	5,009
Corporate	1	—	—
	$ 30,908	$ 36,556	$ 34,589
Segment Profit			
Aerospace	$ 1,893	$ 2,300	$ 2,197
Automation and Control Solutions	1,588	1,622	1,405
Specialty Materials	605	721	658
Transportation Systems	156	406	583
Corporate	(145)	(204)	(189)
	$ 4,097	$ 4,845	$ 4,654

A reconciliation of segment profit to income from continuing operations before taxes follows:

	2009	2008	2007
	(Dollars in millions)		
Segment profit	$ 4,097	$ 4,845	$ 4,654
Other income (expense)(1)	29	685	69
Interest and other financial charges	(459)	(456)	(456)
Stock compensation expense(2),(3)	(118)	(128)	(65)
Pension and other postretirement benefits expense(2)	(93)	(113)	(322)
Repositioning and other charges(2)	(478)	(1,012)	(543)
Income from continuing operations before taxes	$ 2,978	$ 3,821	$ 3,337

(1)Equity income/(loss) of affiliated companies was included in Segment Profit, on a prospective basis, commencing January 1, 2008. Other income/(expense) as presented above includes equity income of affiliated companies of $10 million for the year ended December 31, 2007.

(2)Amounts included in cost of products and services sold and selling, general and administrative expenses.

(3)Costs associated with restricted stock units ("RSU") were excluded from Segment Profit, on a prospective basis, commencing January 1, 2008. Stock compensation expense, including RSU expense, totaled $112 million for the year ended December 31, 2007. Stock option expense is included for all periods presented.

Aerospace

Overview

Aerospace is a leading global supplier of aircraft engines, avionics, and related products and services for aircraft manufacturers, airlines, aircraft operators, military services, and defense and space contractors. Our Aerospace products and services include auxiliary power units, propulsion engines, environmental control systems, engine controls, flight safety, communications, navigation, radar and surveillance systems, aircraft lighting, management and technical services, advanced systems and instruments, aircraft wheels and brakes and repair and overhaul services. Aerospace sells its products to original equipment (OE) manufacturers in the air transport, regional, business and general aviation aircraft segments, and provides spare parts and repair and maintenance services for the aftermarket (principally to aircraft operators). The United States Government is also a major customer for our defense and space products.

Economic and Other Factors

Aerospace operating results are principally driven by:

- New aircraft production rates and delivery schedules set by commercial air transport, regional jet, business and general aviation OE manufacturers, as well as airline profitability and retirement of aircraft from service;
- Global demand for commercial air travel as reflected in global flying hours and utilization rates for corporate and general aviation aircraft, as well as the demand for spare parts and maintenance and repair services for aircraft currently in use;
- Level and mix of U.S. Government appropriations for defense and space programs and military activity; and
- Availability and price volatility of raw materials such as titanium and other metals.

Results of Operations

	2009	2008	2007
		(Dollars in millions)	
Net sales	$ 10,763	$ 12,650	$ 12,236
% change compared with prior year	(15)%	3%	
Segment profit	$ 1,893	$ 2,300	$ 2,197
% change compared with prior year	(18)%	5%	

Aerospace sales by major customer end-markets were as follows:

	% of Aerospace Sales			% Change in Sales	
Customer End-Markets	**2009**	**2008**	**2007**	**2009 Versus 2008**	**2008 Versus 2007**
Commercial:					
Air transport and regional original equipment	13%	14%	16%	(21)%	(6)%
Air transport and regional aftermarket	22	23	22	(16)	4
Business and general aviation original equipment	7	11	11	(51)	5
Business and general aviation aftermarket	8	10	10	(27)	6
Defense and Space	50	42	41	—	6
Total	100%	100%	100%	(15)%	3%

2009 compared with 2008

Aerospace sales decreased by 15 percent in 2009. Details regarding the decrease in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales decreased by 21 percent in 2009. The decrease is driven by lower sales to our OE customers, consistent with production rates and platform mix, and the impact of divesting our Consumables Solutions business, partially offset by a 12 percent increase in the fourth quarter of 2009 mainly due to the absence of a strike at a major OEM in the fourth quarter of 2008.
- Air transport and regional aftermarket sales decreased by 16 percent in 2009 primarily due to decreased sales of spare parts and lower maintenance activity driven by the impact of higher parked aircraft part utilization, customer inventory reduction initiatives and decreased flying hours of approximately 2 percent, including a 1 percent increase in the fourth quarter. While we expect global flying hours to increase slightly in 2010, we expect aftermarket sales to remain soft in the first half of 2010 due to the continuation of inventory destocking and the rising number of parked aircraft.
- Business and general aviation OE sales decreased by 51 percent in 2009 due to the decrease in new business jet deliveries reflecting rescheduling and cancellations of deliveries by OE customers.
- Business and general aviation aftermarket sales decreased by 27 percent in 2009. The decrease was primarily due to decreased sales of spare parts and lower revenue associated with maintenance service agreements, consistent with the decrease in business jet utilization. We started to see an increase in business jet utilization rates in the fourth quarter of 2009 and expect stabilization at these levels.
- Defense and space sales were essentially unchanged in 2009, primarily due to higher sales of logistics services and original equipment for military platforms in the first nine months of 2009 offset by program completions. Delays in defense and space programs could impact the timing of sales in this end- market over the course of 2010.

Aerospace segment profit decreased by 18 percent in 2009 compared to 2008 due primarily to lower sales as a result of the factors discussed above and inflation, partially offset by volume related material cost reductions and reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation), the positive impact of cost savings initiatives and increased prices.

2008 compared with 2007

Aerospace sales increased by 3 percent in 2008. Details regarding the net increase in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales decreased by 6 percent in 2008. The decrease was driven by the sale of our Consumables Solutions business, partially offset by increased deliveries to our air transport customers, notwithstanding a decrease in total aircraft production rates at major OEM's mainly due to a strike at a major OEM, which was settled in the fourth quarter of 2008.
- Air transport and regional aftermarket sales increased by 4 percent in 2008 primarily due to increased volume, the price of spare parts and aftermarket growth driven by flight hour growth. The growth rate in global flying hours slowed to 3 percent in 2008, including a 2 percent decline in the fourth quarter.
- Business and general aviation OE sales increased by 5 percent in 2008 due to continued demand in the business jet end market as evidenced by an increase in new business jet deliveries, improved pricing and continued additions to the fractional ownership and charter fleets. In 2008, sales to this end- market primarily consisted of sales of Primus Epic integrated avionics systems and the TFE 731 and HTF 7000 engines.
- Business and general aviation aftermarket sales increased by 6 percent in 2008. The increase was primarily due to increased revenue under maintenance service agreements and higher sales of spare parts.
- Defense and space sales increased by 6 percent in 2008. The increase was primarily due to logistics services (including the positive impact of the acquisition of Dimensions International, a defense logistics business), helicopter OE sales, an increase in government funded engineering related to the Orion (CEV) program, higher sales of specialty foam insulation, certain surface systems and classified space programs.

Aerospace segment profit increased by 5 percent in 2008 compared to 2007 due primarily to increased prices, productivity and sales volume growth. These increases are partially offset by inflation, the Consumables Solutions divestiture and higher spending to support new platform growth.

2010 Areas of Focus

Aerospace's primary areas of focus for 2010 include:

- Focus on cost structure initiatives to maintain profitability in the face of challenging commercial aerospace conditions;
- Aligning inventory, production and research and development with customer demand and production schedules;
- Expanding sales and operations in international locations;
- Pursuit of new defense and space platforms;
- Continuing to design equipment that enhances the safety, performance and durability of aerospace and defense equipment, while reducing weight and operating costs;
- Delivering world-class customer service and achieving cycle and lead time reduction to improve responsiveness to customer demand; and
- Continued deployment of our common enterprise resource planning (ERP) system.

Automation and Control Solutions (ACS)

Overview

ACS provides innovative products and solutions that make homes, buildings, industrial sites and infrastructure more efficient, safe and comfortable. Our ACS products and services include controls for heating, cooling, indoor air quality, ventilation, humidification, lighting and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance; remote patient monitoring systems; products for automatic identification and data collection, installation, maintenance and upgrades of systems that keep buildings safe, comfortable and productive; and automation and control solutions for industrial plants, including advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings as well as equipment that controls, measures and analyzes natural gas production and transportation.

Economic and Other Factors

ACS's operating results are principally driven by:

- Global commercial construction (including retrofits and upgrades);
- Demand for residential security and environmental control retrofits and upgrades;
- Demand for energy efficient products and solutions;
- Industrial production;
- Government and public sector spending;
- U.S. and European economic conditions;
- Economic growth rates in developed (U.S. and Europe) and emerging markets;
- The strength of capital and operating spending on process (including petrochemical and refining) and building automation;
- Inventory levels in distribution channels; and
- Changes to energy, fire, security, health care, safety and environmental concerns and regulations.

Results of Operations

	2009	2008	2007
		(Dollars in millions)	
Net sales	$ 12,611	$ 14,018	$ 12,478
% change compared with prior year	(10)%	12%	
Segment profit	$ 1,588	$ 1,622	$ 1,405
% change compared with prior year	(2)%	15%	

2009 compared with 2008

ACS sales decreased by 10 percent in 2009 compared with 2008, primarily due to decreased sales volume (reflecting slower global economic growth) and an unfavorable impact of foreign exchange of 4 percent, partially offset by a 3 percent growth from acquisitions.

- Sales in our Products businesses decreased by 11 percent, including (i) lower volumes of sales in each of our businesses (excluding the impact of acquisitions) and (ii) the unfavorable impact of foreign exchange. Softness in residential and industrial end-markets was partially offset by the positive impact of acquisitions, most significantly Norcross Safety Products.
- Sales in our Solutions businesses decreased by 9 percent primarily due to the unfavorable impact of foreign exchange and volume decreases largely due to softening demand as a result of customer deferral of capital and operating expenditures. Orders decreased while backlog

increased in 2009. Decreased orders are primarily due to the unfavorable impact of foreign exchange, softening demand (as noted above) and order timing and delays. Higher backlog is primarily due to longer duration projects. The impact of these factors was partially offset by the positive impact of acquisitions, most significantly the RMG Group.

ACS segment profit decreased by 2 percent in 2009 compared with 2008 principally due to the negative impact of lower sales as a result of the factors discussed above and inflation, partially offset by lower material costs, reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation) and the positive impact of indirect cost savings initiatives. In the fourth quarter of 2009 these factors more than offset the impact of lower sales described above resulting in a 5 percent increase in segment profit.

2008 compared with 2007

ACS sales increased by 12 percent in 2008 compared with 2007, including 10 percent net growth from acquisitions and divestitures. Although foreign exchange had minimal impact on full year sales, there was a 9 percent negative impact of foreign exchange on fourth quarter sales.

- Sales in our Products businesses grew by 15 percent, including (i) the positive impact of acquisitions, most significantly Norcross Safety Products, Metrologic Instruments, Hand Held Products Inc and Maxon Corporation, (ii) continued strong demand for life safety products, particularly fire systems and sensors and (iii) increased sales of our environmental and combustion products, driven by new products and demand for energy efficient controls, including growth across all regions. These factors were partially offset by decreases in sales volumes of our security (reflecting U.S. and European residential construction softness) and sensing and controls products (most notably automotive customers), reflecting softness in the U.S. and Europe.
- Sales in our Solutions businesses increased by 8 percent primarily due to (i) volume growth, driven by continued orders growth and strong conversion to sales from our orders backlog and (ii) the positive impact of acquisitions, most significantly Enraf Holding B.V.

ACS segment profit increased by 15 percent in 2008 compared with 2007 principally due to increased productivity savings, acquisitions, and improved pricing, partially offset by inflation.

2010 Areas of Focus

ACS's primary areas of focus for 2010 include:

- Products and solutions for energy efficiency and asset management;
- Extending technology leadership: lowest total installed cost and integrated product solutions;
- Defending and extending our installed base through customer productivity and globalization;
- Sustaining strong brand recognition through our brand and channel management;
- Centralization and standardization of global software development capabilities;
- Continuing to identify, execute and integrate acquisitions in or adjacent to the markets which we serve;
- Continuing to establish and grow emerging markets presence and capability;
- Continuing to invest in new product development and introductions; and
- Continued deployment of our common ERP system.

Specialty Materials

Overview

Specialty Materials develops and manufactures high-purity, high-quality and high-performance chemicals and materials for applications in the refining, petrochemical, automotive, healthcare, agricultural, packaging, refrigeration, appliance, housing, semiconductor, wax and adhesives segments. Specialty Materials also provides process technology, products and services for the petroleum refining, gas processing technology, petrochemical and other industries. Specialty Materials' product portfolio includes fluorocarbons, caprolactam, ammonium sulfate for fertilizer, specialty films, advanced fibers, customized research chemicals and intermediates, electronic materials and chemicals, catalysts, and adsorbents.

Economic and Other Factors

Specialty Materials operating results are principally driven by:

- Level and timing of capital spending and capacity and utilization rates in refining and petrochemical end markets;
- Degree of pricing volatility in raw materials such as benzene (the key component in phenol), fluorspar, natural gas, ethylene and sulfur;
- Impact of environmental and energy efficiency regulations;
- Extent of change in order rates from global semiconductor customers;
- Global demand for non-ozone depleting Hydro fluorocarbons (HFC's);
- Condition of the U.S. residential housing industry;
- Global demand for commodities such as caprolactam and ammonium sulfate; and
- Increasing demand for renewable energy and biofuels.

Results of Operations

	2009	2008	2007
		(Dollars in millions)	
Net sales	$ 4,144	$ 5,266	$ 4,866
% change compared with prior year	(21)%	8%	5%
Segment profit	$ 605	$ 721	$ 658
% change compared with prior year	(16)%	10%	16%

2009 compared with 2008

Specialty Materials sales decreased by 21 percent in 2009 compared to 2008 primarily driven by (i) a 32 percent decrease in Resins and Chemicals sales due to substantial price declines arising from pass through of lower raw materials costs, partially offset by increased volume (most notably in the fourth quarter), (ii) a 19 percent decrease in UOP sales due to customer deferrals of projects as a result of reduced demand for additional capacity in the refining and petrochemical industries as well as lower catalyst sales, (iii) a 22 percent decrease in Specialty Products sales most significantly due to continued demand softness across key customer end-markets, and (iv) an 11 percent decrease in Fluorine Products sales due to lower volume sales of refrigerants and insulating materials principally driven by customer inventory reduction initiatives and soft construction and original equipment manufacturing end markets, partially offset by price increases.

Specialty Materials segment profit decreased by 16 percent in 2009 compared with 2008. This decrease is principally due to lower sales as a result of the factors discussed above, partially offset by lower material costs, reduced labor costs (reflecting reduced census, work schedule reductions and lower incentive compensation), the positive impact of indirect cost savings initiatives and increased prices. In the fourth quarter of 2009 these factors more than offset the impact of lower sales described above resulting in a 56 percent increase in segment profit.

2008 compared with 2007

Specialty Materials sales increased by 8 percent in 2008 compared to 2007 primarily driven by (i) increased pricing reflecting the pass-through of higher raw material costs and other pricing actions (including benefits from formula based pricing arrangements), most significantly in Resins and

Chemicals and Fluorine Products, and (ii) an 8 percent increase in UOP sales as a result of higher volume sales in its products and projects businesses. Full year 2008 sales growth was partially offset by a 12 percent sales decline in revenue during the fourth quarter, primarily in our Resins and Chemicals business due to sharp declines in global demand for commodities such as caprolactam and ammonium sulfate.

Specialty Materials segment profit increased by 10 percent in 2008 compared with 2007. This increase is due principally to increased UOP, Fluorine Products and Resins and Chemicals sales as a result of the factors discussed above and higher income from our joint ventures, partially offset by the impacts of hurricanes Gustav and Ike and the fourth quarter sales decline noted below. Overall, the effects of increased pricing reflecting the pass-through of higher raw material costs and other pricing actions (including benefits from formula based pricing arrangements) and productivity gains more than offset raw material (most significantly sulfur) and other inflation.

2010 Areas of Focus

Specialty Materials primary areas of focus for 2010 include:

•Continue to develop new processes, products and technologies that address energy efficiency, renewable energy sources, global warming, security regulations and position the portfolio for higher value;

•Commercialize new products and technologies in the petrochemical, gas processing and refining industries;

•Drive sales and marketing excellence and expand local presence in fast growing emerging markets;

•Execution of awarded government stimulus projects and pursuit of additional projects;

•Manage exposure to raw material commodity fluctuations; and

•Prioritize critical investment to increase plant reliability and attainment, productivity, quality and operational excellence.

Transportation Systems

Overview

Transportation Systems provides automotive products that improve the performance, efficiency, and appearance of cars, trucks, and other vehicles through state-of-the-art technologies, world class brands and global solutions to customers' needs. Transportation Systems' products include turbochargers and charge-air and thermal systems; car care products including anti-freeze (Prestone(R)), filters (Fram(R)), spark plugs (Autolite(R)), and cleaners, waxes and additives (Holts(R)); and brake hard parts and other friction materials (Bendix(R) and Jurid(R)). Transportation Systems sells its products to original equipment ("OE") automotive and truck manufacturers (e.g., BMW, Caterpillar, Daimler, Renault, Ford, and Volkswagen), wholesalers and distributors and through the retail aftermarket.

Economic and Other Factors

Transportation Systems operating results are principally driven by:

•Financial strength and stability of automotive OE manufacturers;

•Global demand for automobile and truck production;

•Turbo penetration rates for new engine platforms;

•Global consumer preferences for boosted diesel passenger cars;

•Degree of volatility in raw material prices, including nickel and steel;

•New automobile production rates and the impact of customer inventory levels on demand for our products;

- Automotive aftermarket trends such as consumer confidence, miles driven, and consumer preference for branded vs. private label aftermarket and car care products;
- Regulations mandating lower emissions and improved fuel economy; and
- Consumers' ability to obtain financing for new vehicle purchases.

Results of Operations

	2009	2008	2007
		(Dollars in millions)	
Net sales	$ 3,389	$ 4,622	$ 5,009
% change compared with prior year	(27)%	(8)%	
Segment profit	$ 156	$ 406	$ 583
% change compared with prior year	(62)%	(30)%	

2009 compared with 2008

Transportation Systems sales decreased by 27 percent in 2009 compared with 2008, primarily due to lower volumes (driven by the ongoing challenging global automotive industry conditions) and the negative impact of foreign exchange in the first nine months of 2009.

- Turbo Technologies sales decreased by 34 percent primarily due to lower sales volumes to both our commercial and light vehicle engine manufacturing customers and the negative impact of foreign exchange. Diesel penetration rates in Western Europe declined in the first nine months of 2009 and there was a shift in consumer preference towards lower displacement engines. Full year 2009 sales decline was partially offset by a 22 percent sales increase during the fourth quarter primarily due to the positive impact of foreign exchange and higher sales volumes to our light vehicle engine manufacturing customers. We expect increased volumes to continue as we benefit from new platform launches scheduled in 2010.
- CPG sales decreased by 8 percent primarily due to lower prices (primarily pass through of ethylene glycol cost decreases), lower volumes, and the negative impact of foreign exchange.
- Friction Materials sales decreased by 24 percent primarily due to continued declines in sales volumes and the unfavorable impact of foreign exchange.

Transportation Systems segment profit decreased by 62 percent in 2009 compared with 2008 due principally to lower sales volume as a result of the factors discussed above partially offset by lower material costs, reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation) and the positive impact of indirect cost savings initiatives. In the fourth quarter of 2009 these factors and increased Turbo Technologies volumes resulted in a $66 million increase in Transportation Systems' segment profit. We anticipate that new platform launches will translate into increased segment profit in 2010.

2008 compared with 2007

Transportation Systems sales decreased by 8 percent in 2008 compared with 2007, primarily due to lower volumes, most significantly in the second half of 2008, partially offset by the favorable impact of foreign exchange.

- Turbo Technologies sales decreased by 9 percent primarily due to decreased volume from a broad decline in vehicle production due to challenging automotive industry conditions in the U.S. and Europe, which accelerated in the second half of 2008, impacting sales to both our commercial and light vehicle engine manufacturers, partially offset by the favorable impact of foreign exchange.
- Consumer Products Group ("CPG") sales decreased by 10 percent primarily due to lower sales of automotive aftermarket products reflecting lower miles driven and the impact of lower consumer confidence on discretionary spending, partially offset by higher prices (including the pass through of ethylene glycol cost increases).

•Friction Materials sales were essentially unchanged, primarily due to the favorable impact of foreign exchange and increased pricing offset by lower original equipment and aftermarket product sales volume.

Transportation Systems segment profit decreased by 30 percent in 2008 compared with 2007 primarily due to volume declines, as discussed above, material and non-material cost inflation and investments in product development to support future Turbo platforms. These factors were partially offset by increased productivity and the favorable impact of foreign exchange.

2010 Areas of Focus

Transportation Systems primary areas of focus in 2010 include:

•Sustaining superior turbocharger technology through successful platform launches;

•Maintaining the high quality of current products while executing new product introductions;

•*Increasing global penetration and share of diesel and gasoline turbocharger* OEM *demand;*

•Increasing plant productivity to address capacity challenges generated by volatility in product demand and OEM inventory levels;

•Aligning cost structure with current economic outlook, and successful execution of repositioning actions;

•Aligning development efforts and costs with new turbo platform launch schedules; and

•Continuing global expansion and extension of established strong product brands in CPG.

Repositioning and Other Charges

See Note 3 to the financial statements for a discussion of repositioning and other charges incurred in 2009, 2008 and 2007. Our repositioning actions are expected to generate incremental pretax savings of approximately $300 million in 2010 compared with 2009 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute our repositioning actions were $200, $157 and $92 million in 2009, 2008 and 2007, respectively. Such expenditures for severance and other exit costs have been funded principally through operating cash flows. Cash expenditures for severance and other exit costs necessary to execute the remaining actions are expected to approximate $225 million in 2010 and will be funded through operating cash flows.

The following tables provide details of the pretax impact of total net repositioning and other charges by segment.

	Years Ended December 31,		
	2009	2008	2007
	(Dollars in millions)		
Aerospace			
Net repositioning charge	$ 31	$ 84	$ 37

	Years Ended December 31,		
	2009	2008	2007
	(Dollars in millions)		
Automation and Control Solutions			
Net repositioning charge	$ 70	$ 164	$ 127

	Years Ended December 31, 2009	2008	2007
	(Dollars in millions)		
Specialty Materials			
Net repositioning charge	$ 9	$ 37	$ 5
Business impairment charges	—	—	9
Probable and reasonably estimable environmental liabilities	—	5	—
	$ 9	$ 42	$ 14

	Years Ended December 31, 2009	2008	2007
	(Dollars in millions)		
Transportation Systems			
Net repositioning charge	$ 61	$ 103	$ 19
Asbestos related litigation charges, net of insurance	112	125	100
Probable and reasonably estimable environmental liabilities	—	4	—
Other	—	1	—
	$ 173	$ 233	$ 119

	Years Ended December 31, 2009	2008	2007
	(Dollars in millions)		
Corporate			
Net repositioning charge	$ —	$ 36	$ 3
Asbestos related litigation charges, net of insurance	43	—	—
Probable and reasonably estimable environmental liabilities	145	456	225
Other	7	(3)	18
	$ 195	$ 489	$ 246

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to manage its businesses to maximize operating cash flows as the primary source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short-term debt from the commercial paper market, long-term borrowings, and access to the public debt and equity markets, as well as the ability to sell trade accounts receivables. We continue to balance our cash and financing uses through investment in our existing core businesses, acquisition activity, share repurchases and dividends.

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the years ended December 31, 2009, 2008 and 2007 are summarized as follows:

	2009	2008	2007
		(Dollars in millions)	
Cash provided by (used for):			
Operating activities	$ 3,946	$ 3,791	$ 3,911
Investing activities	(1,133)	(2,023)	(1,782)
Financing activities	(2,152)	(1,370)	(1,574)
Effect of exchange rate changes on cash	75	(162)	50
Net increase in cash and cash equivalents	$ 736	$ 236	$ 605

2009 compared with 2008

Cash provided by operating activities increased by $155 million during 2009 compared with 2008 primarily due to a favorable impact from working capital of $577 million (primarily due to lower inventory), lower cash taxes of $449 million, and $155 million from the sale of long term receivables partially offset by decreased earnings, receipts from the sale of insurance receivables of $82 million in 2008 and higher repositioning payments of $43 million.

Cash used for investing activities decreased by $890 million during 2009 compared with 2008 primarily due to a $1,713 million decrease in cash paid for acquisitions (most significantly the acquisition of Norcross and Metrolgic in 2008) and a $275 million decrease in expenditures for property, plant, and equipment, partially offset by a $908 million decrease in proceeds from sales of businesses (most significantly the divestiture of Consumables Solutions in 2008).

Cash used for financing activities increased by $782 million during 2009 compared with 2008 primarily due to a net repayment of debt (including commercial paper) in 2009 of $1,272 million compared to net proceeds (including commercial paper) of $733 million in 2008, partially offset by a decrease in repurchases of common stock of $1,459 million.

2008 compared with 2007

Cash provided by operating activities decreased by $120 million during 2008 compared with 2007 primarily due to a decrease in accrued liabilities of $475 million (decreased advances from customers and deferred income) and higher cash tax payments of $336 million (most significantly due to the sale of the Consumables Solutions business) partially offset by increased earnings, lower cash payments for asbestos of $121 million, and a decrease in working capital (lower accounts and other receivable offset by higher accounts payable).

Cash used for investing activities increased by $241 million during 2008 compared with 2007 due primarily to higher spending for acquisitions partially offset by higher proceeds from sales of businesses. In 2008, cash paid for acquisitions, net of cash acquired was $2,181 million primarily for Safety Products Holding, Inc. (Norcross) and Metrologic Instruments, Inc. compared to $1,150 million in 2007, primarily for our acquisitions of Dimensions International, Enraf Holding B.V., Hand Held Products, Inc, and Maxon Corporation. Cash proceeds from divestitures were $909 million in 2008, compared to $51 million in 2007 primarily due to the sale of Consumables Solutions.

Cash used for financing activities decreased by $204 million during 2008 compared with 2007 primarily due to a $2,527 million decrease in repurchases of common stock partially offset by decreases in net proceeds from debt (including commercial paper) of $1,797 million and a decrease in proceeds from issuance of common stock primarily related to stock option exercises of $457 million.

Liquidity

Each of our businesses is focused on implementing strategies to improve working capital turnover in 2010 to increase operating cash flows. Considering the current economic environment in which each of our businesses operate and our business plans and strategies, including our focus on growth, cost reduction and productivity initiatives, we believe that our cash balances and operating cash flows will remain our principal source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short term debt from the commercial paper markets, long-term borrowings, and access to the public debt and equity markets, as well as our ability to sell trade accounts receivables.

A source of liquidity is our ability to issue short-term debt in the commercial paper market. Commercial paper notes are sold at a discount and have a maturity of not more than 365 days from date of issuance. Borrowings under the commercial paper program are available for general corporate purposes as well as for financing potential acquisitions. There was $298 million of commercial paper outstanding at December 31, 2009.

Our ability to access the commercial paper market, and the related cost of these borrowings, is affected by the strength of our credit rating and market conditions. Our credit ratings are periodically reviewed by the major independent debt-rating agencies. As of December 31, 2009, Standard and Poor's (S&P) Fitch and Moody's have ratings on our long-term debt of A and A and A2 respectively, and short-term debt of A-1, F1 and P1 respectively. S&P and Moody's have maintained Honeywell's ratings outlook as "stable". Fitch's rating outlook is "negative". In 2010, we will support our credit rating through debt repayments. To date, the company has not experienced any limitations in our ability to access these sources of liquidity. We maintain $2.8 billion of committed bank revolving credit facilities in support of our commercial paper program, which is secured through mid-May 2012.

In May 2007 Honeywell entered into a $2.8 billion Amended and Restated Five-Year Credit Agreement ("Credit Agreement") with a syndicate of banks. Commitments under the Credit Agreement can be increased pursuant to the terms of the Credit Agreement to an aggregated amount not to exceed $3.5 billion. This credit facility contains a $700 million sub-limit for the issuance of letters of credit. The Credit Agreement is maintained for general corporate purposes, including support for the issuance of commercial paper, At December 31, 2009, there were no borrowings or letters of credit issued under the credit facility. The Credit Agreement does not restrict Honeywell's ability to pay dividends, nor does it contain financial covenants.

In February 2009, the Company issued $600 million 3.875% Senior Notes due 2014 and $900 million 5.00% Senior Notes due 2019 (collectively, the "2009 Senior Notes"). The 2009 Senior Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of $1.5 billion, offset by $12 million in discount and issuance costs. Proceeds from the Senior Notes were used to repay outstanding commercial paper.

In August 2009, the Company completed the acquisition of the RMG Group (RMG Regel + Messtechnik GmbH), a natural gas measuring and control products, services and integrated solutions company which will be integrated into our Automation and Control Solutions segment. The purchase price, net of cash acquired, was approximately $416 million and was funded using available cash.

We also have a current shelf registration statement filed with the Securities and Exchange Commission under which we may issue additional debt securities, common stock and preferred stock that may be offered in one or more offerings on terms to be determined at the time of the offering. Net proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

We sell interests in designated pools of trade accounts receivables to third parties. In April 2009, we modified the terms of the trade accounts receivable program to permit the repurchase of receivables from the third parties at our discretion. This modification provides additional flexibility in the management of the receivable portfolio and also requires the receivables in the program to remain on the Company balance sheet. As a result, $500 million of program receivables were reflected as Accounts, notes and other receivables with a corresponding amount recorded as Short-term borrowings in the Consolidated Balance Sheet. These short-term borrowings were repaid as of December 31, 2009.

We monitor the third-party depository institutions that hold our cash and cash equivalents on a daily basis. Our emphasis is primarily on safety of principal and secondarily on maximizing yield on those funds. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities.

Current global economic conditions or the current tightening of credit could adversely affect our customers' or suppliers' ability to obtain financing, particularly in our long-cycle businesses and airline and automotive end markets. Customer or supplier bankruptcies, delays in their ability to obtain financing, or the unavailability of financing could adversely affect our cash flow or results of operations. To date we have not experienced material impacts from customer or supplier bankruptcy or liquidity issues. We continue to monitor and take measures to limit our exposure.

In addition to our normal operating cash requirements, our principal future cash requirements will be to fund capital expenditures, debt repayments, dividends, employee benefit obligations, environmental remediation costs, asbestos claims, severance and exit costs related to repositioning actions, share repurchases and any strategic acquisitions.

Specifically, we expect our primary cash requirements in 2010 to be as follows:

- Capital expenditures—we expect to spend approximately $700 million for capital expenditures in 2010 primarily for cost reduction, maintenance, replacement, growth, and production and capacity expansion.
- Debt repayments—there are $1,018 million of scheduled long-term debt maturities in 2010. We expect to refinance these maturities during 2010 utilizing short-term debt and reduce overall debt balances.
- Share repurchases—Under the Company's previously announced $3.0 billion share repurchase program, $1.3 billion remained available as of December 31, 2009 for additional share repurchases. The amount and timing of repurchases may vary depending on market conditions and the level of operating and other investing activities. We do not anticipate any share repurchases during 2010.
- Dividends—we expect to pay approximately $940 million in dividends on our common stock in 2010, reflecting a 4 percent increase in the number of shares outstanding.
- Asbestos claims—we expect our cash spending for asbestos claims and our cash receipts for related insurance recoveries to be approximately $654 and $62 million, respectively, in 2010. See Asbestos Matters in Note 21 to the financial statements for further discussion.
- Pension contributions—In 2010, we are not required to make any contributions to our U.S. pension plans to satisfy minimum statutory funding requirements. However, we presently anticipate making voluntary contributions of approximately $400 million of Honeywell common stock to the U.S. plan in 2010 to improve the funded status of our plans. We also expect to make contributions to our non-U.S. plans of approximately $150 million in 2010. See Note 22 to the financial statements for further discussion of pension contributions.
- Repositioning actions—we expect that cash spending for severance and other exit costs necessary to execute the previously announced repositioning actions will approximate $225 million in 2010.
- Environmental remediation costs—we expect to spend approximately $285 million in 2010 for remedial response and voluntary clean-up costs. See Environmental Matters in Note 21 to the financial statements for additional information.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify businesses that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These businesses are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints. In 2008 we realized $909 million in cash proceeds from sales of non-strategic businesses.

In July 2008, the Company completed the sale of its Consumables Solutions business to B/E Aerospace ("B/E") for $1.05 billion, consisting of approximately $901 million in cash and six million shares of B/E common stock. As discussed in Note 3 to the financial statements, this transaction resulted in a pre- tax gain of $623 million, $417 million net of tax. These proceeds, along with our other sources and uses of liquidity, as discussed above, were utilized to invest in our existing core businesses and fund acquisition activity, share repurchases and dividends.

Based on past performance and current expectations, we believe that our operating cash flows will be sufficient to meet our future cash needs. Our available cash, committed credit lines, access to the public debt and equity markets as well as our ability to sell trade accounts receivables, provide additional sources of short-term and long-term liquidity to fund current operations, debt maturities, and future investment opportunities. Based on our current financial position and expected economic performance, we do not believe that our liquidity will be adversely impacted by an inability to access our sources of financing.

Contractual Obligations and Probable Liability Payments

Following is a summary of our significant contractual obligations and probable liability payments at December 31, 2009:

		Payments by Period			
	Total(6)	2010	2011-2012	2013-2014	Thereafter
		(Dollars in millions)			
Long-term debt, including capitalized leases(1)	$ 7,264	$ 1,018	$ 926	$ 1,211	$ 4,109
Interest payments on long-term debt, including capitalized leases	3,140	297	489	374	1,980
Minimum operating lease payments	1,213	313	419	225	256
Purchase obligations(2)	1,595	806	481	211	97
Estimated environmental liability payments(3)	779	285	290	160	44
Asbestos related liability payments(4)	1,694	654	563	266	211
Asbestos insurance recoveries(5)	(1,003)	(62)	(113)	(100)	(728)
	$ 14,682	$ 3,311	$ 3,056	$ 2,344	$ 5,971

(1)Assumes all long-term debt is outstanding until scheduled maturity.

(2)Purchase obligations are entered into with various vendors in the normal course of business and are consistent with our expected requirements.

(3)The payment amounts in the table only reflect the environmental liabilities which are probable and reasonably estimable as of December 31, 2009. See Environmental Matters in Note 21 to the financial statements for additional information.

(4)These amounts are estimates of asbestos related cash payments for NARCO and Bendix based on our asbestos related liabilities which are probable and reasonably estimable as of December 31, 2009. NARCO estimated payments are based on the terms and conditions, including evidentiary requirements, specified in the definitive agreements or agreements in principle and pursuant to Trust Distribution Procedures. Bendix payments are based on our estimate of pending and future claims. Projecting future events is subject to many uncertainties that could cause asbestos liabilities to be higher or lower than those projected and recorded. See Asbestos Matters in Note 21 to the financial statements for additional information.

(5)These amounts represent probable insurance recoveries through 2018 based on our insurance recoveries that are deemed probable for asbestos related liabilities as of December 31, 2009. See Asbestos Matters in Note 21 to the financial statements for additional information.

(6)The table excludes $720 million of uncertain tax positions. See Note 6 to the financial statements.

The table also excludes our pension and other postretirement benefits (OPEB) obligations. During 2010, we plan to make additional voluntary contributions of Honeywell common stock to our U.S. plans to improve the funded status of our plans. We also expect to make contributions to our non-U.S. plans of approximately $150 million in 2010. Beyond 2010, minimum statutory funding requirements for our U.S. pension plans may become significant. However, the actual amounts required to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory actions related to pension funding obligations. Payments due under our OPEB plans are not required to be funded in advance, but are paid as medical costs are incurred by covered retiree populations, and are principally dependent upon the future cost of retiree medical benefits under our plans. We expect our OPEB payments to approximate $200 million in 2010 net of the benefit of approximately $14 million from the Medicare prescription subsidy. See Note 22 to the financial statements for further discussion of our pension and OPEB plans.

Off-Balance Sheet Arrangements

Following is a summary of our off-balance sheet arrangements:

Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2009:

	Maximum Potential Future Payments
	(Dollars in millions)
Operating lease residual values	$ 35
Other third parties' financing	4
Unconsolidated affiliates' financing	30
Customer financing	16
	$ 85

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

Retained Interests in Factored Pools of Trade Accounts Receivables—As a source of liquidity, we sell interests in designated pools of trade accounts receivables to third parties. The sold receivables ($500 million at December 31, 2008) are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The over-collateralization provides credit support to the purchasers of the receivable interest by limiting their losses in the event that a portion of the receivables sold becomes uncollectible. In April 2009, we modified the terms of the trade accounts receivable program to permit the repurchase of receivables from the third parties at our discretion. This modification provides additional flexibility in the management of the receivable portfolio and also requires the receivables in the program to remain on the Company balance sheet. As a result, $500 million of program receivables were reflected as Accounts, notes and other receivables with a corresponding amount recorded as Short-term borrowings in the Consolidated Balance Sheet. These short-term borrowings were repaid as of December 31, 2009.

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly, with other potentially responsible parties, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy (see Note 1 to the financial statements) to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, execution timeframe of projects, remedial techniques to be utilized and agreements with other parties.

Remedial response and voluntary cleanup payments were $318, $320 and $267 million in 2009, 2008 and 2007, respectively, and are currently estimated to be approximately $285 million in 2010. We expect to fund such expenditures from operating cash flow.

Remedial response and voluntary cleanup costs charged against pretax earnings were $151, $466 and $230 million in 2009, 2008 and 2007, respectively. At December 31, 2009 and 2008, the recorded liabilities for environmental matters was $779 and $946 million, respectively. In addition, in 2009 and 2008 we incurred operating costs for ongoing businesses of approximately $73 and $69 million, respectively, relating to compliance with environmental regulations.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that environmental matters will have a material adverse effect on our consolidated financial position.

See Note 21 to the financial statements for a discussion of our commitments and contingencies, including those related to environmental matters and toxic tort litigation.

Financial Instruments

As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments. A summary of our accounting policies for derivative financial instruments is included in Note 1 to the financial statements. We also hold investments in marketable equity securities, which exposes us to market volatility, as discussed in Note 16 to the financial statements.

We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk from changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and anticipated transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. Our principal currency exposures relate to the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee, and Singapore dollar.

Our exposure to market risk from changes in interest rates relates primarily to our net debt and pension obligations. As described in Notes 14 and 16 to the financial statements, we issue both fixed and variable rate debt and use interest rate swaps to manage our exposure to interest rate movements and reduce overall borrowing costs.

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and expected future cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

The following table illustrates the potential change in fair value for interest rate sensitive instruments based on a hypothetical immediate one-percentage-point increase in interest rates across all maturities, the potential change in fair value for foreign exchange rate sensitive instruments based on a 10 percent weakening of the U.S. dollar versus local currency exchange rates across all maturities, and the potential change in fair value of contracts hedging commodity purchases based on a 20 percent decrease in the price of the underlying commodity across all maturities at December 31, 2009 and 2008.

	Face or Notional Amount	Carrying Value(1)	Fair Value(1)	Estimated Increase (Decrease) In Fair Value
		(Dollars in millions)		
December 31, 2009				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	$ (7,264)	$ (7,262)	$ (7,677)	$ (421)
Interest rate swap agreements	600	(2)	(2)	(23)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	2,959	8	8	79
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	52	4	4	(10)
December 31, 2008				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	$ (6,888)	$ (6,888)	$ (7,082)	$ (354)
Interest rate swap agreements	—	—	—	—
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	3,030	(27)	(27)	126
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	8	(4)	(4)	(1)

(1)Asset or (liability).

(2)Changes in the fair value of foreign currency exchange contracts are offset by changes in the fair value or cash flows of underlying hedged foreign currency transactions.

(3)Changes in the fair value of forward commodity contracts are offset by changes in the cash flows of underlying hedged commodity transactions.

The above discussion of our procedures to monitor market risk and the estimated changes in fair value resulting from our sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. The methods used by us to assess and mitigate risk discussed above should not be considered projections of future events.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. We consider the accounting policies discussed below to be critical to the understanding of our financial statements. Actual results could differ from our estimates and assumptions, and any such differences could be material to our consolidated financial statements.

We have discussed the selection, application and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors and our Independent Registered Public Accountants. New accounting standards effective in 2009 which had a material impact on our consolidated financial statements are described in the Recent Accounting Pronouncements section in Note 1 to the financial statements.

Contingent Liabilities—We are subject to a number of lawsuits, investigations and claims (some of which involve substantial dollar amounts) that arise out of the conduct of our global business operations or those of previously owned entities. These contingencies primarily relate to product liabilities (including asbestos), contractual matters, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Such analysis includes making judgments concerning matters such as the costs associated with environmental matters, the outcome of negotiations, the number and cost of pending and future asbestos claims, and the impact of evidentiary requirements. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments (including new discovery of facts, changes in legislation and outcomes of similar cases through the judicial system), changes in assumptions or changes in our settlement strategy. For a discussion of our contingencies related to environmental, asbestos and other matters, including management's judgment applied in the recognition and measurement of specific liabilities, see Notes 1 and 21 to the financial statements.

Asbestos Related Contingencies and Insurance Recoveries—We are a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrue for pending claims based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with current claimants. We also accrued for the probable value of future NARCO asbestos related claims through 2018 based on the disease criteria and payment values contained in the NARCO trust as described in Note 21 to the financial statements. In light of the inherent uncertainties in making long term projections regarding claims filing rates and disease manifestation, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. Regarding Bendix asbestos related claims, we accrue for the estimated value of pending claims based on expected claim resolution values and historic dismissal rates. We also accrue for the estimated cost of future anticipated claims related to Bendix for the next five years based on our assessment of additional claims that may be brought against us and anticipated resolution values in the tort system. We value Bendix pending and future claims using the average resolution values for the previous four years. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21 to the financial statements. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers. At December 31, 2009, we have recorded insurance receivables of $831 million that can be specifically allocated to NARCO related asbestos liabilities. We also have $1.9 billion in coverage remaining for Bendix related asbestos liabilities although there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods and insurance settlements. Our insurance is with both the domestic insurance market and the London excess market. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Projecting future events is subject to various uncertainties that could cause the insurance recovery on asbestos related liabilities to be higher or lower than that projected and recorded. Given the inherent uncertainty in making future projections, we reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability, our recovery experience or other relevant factors that may impact future insurance recoveries. See Note 21 to the financial statements for a discussion of management's judgments applied in the recognition and measurement of insurance recoveries for asbestos related liabilities.

Defined Benefit Pension Plans—We maintain defined benefit pension plans covering a majority of our employees and retirees. For financial reporting purposes, net periodic pension expense is calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations and an expected long-term rate of return on plan assets. We determine the expected long-term rate of return on plan assets utilizing historic and expected plan asset returns over varying long-term periods combined with current market conditions and broad asset mix considerations (see Note 22 to the financial statements for details on the actual various asset classes and targeted asset allocation percentages for our pension plans). The discount rate reflects the market rate on December 31 (measurement date) for high-quality fixed-income investments with maturities corresponding to our benefit obligations and is subject to change each year. Further information on all our major actuarial assumption is included in Note 22 to the financial statements.

The key assumptions used in developing our 2009, 2008 and 2007 net periodic pension expense for our U.S. plans included the following:

	2009	2008	2007
Discount rate	6.95%	6.50%	6.00%
Assets:			
Expected rate of return	9%	9%	9%
Actual rate of return	20%	(29%)	9%
Actual 10 year average annual compounded rate of return	4%	4%	9%

The discount rate can be volatile from year to year because it is determined based upon prevailing interest rates as of the measurement date. We will use a 5.75 percent discount rate in 2010, reflecting the decrease in the market interest rate environment since December 31, 2008. We plan to continue to use an expected rate of return on plan assets of 9 percent for 2010 as this is a long-term rate based on historical plan asset returns over varying long-term periods combined with current market conditions and broad asset mix considerations. The net losses for our pension plans were $7.6 billion at December

31, 2009 compared with $6.0 billion at December 31, 2008. This increase of $1.6 billion is due primarily to lower discount rates in our plans partially offset by asset gains due to the performance of the equity markets in 2009. The net losses at December 31, 2009 principally result from lower discount rates in 2009 and actual plan asset returns below expected rates of return in 2008. As discussed in detail in Note 22 to the financial statements such losses have been recognized as a component of other comprehensive income (loss), net of tax. In the future we will continue to systematically recognize such net losses in net periodic pension expense. We use the market-related value of plan assets reflecting changes in the fair value of plan assets over a three-year period. Further, net losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) are recognized over a six-year period.

Changes in net periodic pension expense may occur in the future due to changes in our expected rate of return on plan assets and discount rate resulting from economic events. The following table highlights the sensitivity of our U.S. pension obligations and expense to changes in these assumptions, assuming all other assumptions remain constant:

Change in Assumption	Impact on Annual Pension Expense	Impact on PBO
0.25 percentage point decrease in discount rate	Increase $50 million	Increase $350 million
0.25 percentage point increase in discount rate	Decrease $50 million	Decrease $350 million
0.25 percentage point decrease in expected rate of return on assets	Increase $27 million	—
0.25 percentage point increase in expected rate of return on assets	Decrease $27 million	—

Net periodic pension expense for our pension plans is expected to be approximately $820 million in 2010, a $712 million increase from 2009 due principally to an increase in the amortization of net losses in our U.S. plans. The increase in the amortization of net losses results principally from asset losses due to the poor performance of the equity markets in 2008.

In 2009, 2008 and 2007 we were not required to make contributions to satisfy minimum statutory funding requirements in our U.S. pension plans. However, we made voluntary contributions of $740, $242 and $42 million to our U.S. pension plans in 2009, 2008 and 2007, respectively, primarily to improve the funded status of our plans which deteriorated during 2008 due to the significant asset losses resulting from the poor performance of the equity markets. During 2010, we plan to make additional voluntary contributions of Honeywell common stock to our U.S. plans to improve the funded status of our plans. Beyond 2010, minimum statutory funding requirements for our U.S. pension plans may become significant. However, the actual amounts required to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations. We also expect to contribute approximately $150 to our non-U.S. defined benefit pension plans in 2010 to satisfy regulatory funding standards.

Long-Lived Assets (including Tangible and Definite-Lived Intangible Assets)—To conduct our global business operations and execute our business strategy, we acquire tangible and intangible assets, including property, plant and equipment and definite-lived intangible assets. At December 31, 2009, the net carrying amount of these long-lived assets totaled $6.6 billion. The determination of useful lives (for depreciation/amortization purposes) and whether or not these assets are impaired involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. We periodically evaluate the recoverability of the carrying amount of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset group may not be fully recoverable. The principal factors we consider in deciding when to perform an impairment review are as follows:

- significant under-performance (i.e., declines in sales, earnings or cash flows) of a business or product line in relation to expectations;
- annual operating plans or five-year strategic plans that indicate an unfavorable trend in operating performance of a business or product line;
- significant negative industry or economic trends; and

•significant changes or planned changes in our use of the assets.

Once it is determined that an impairment review is necessary, recoverability of assets is measured by comparing the carrying amount of the asset grouping to the estimated future undiscounted cash flows. If the carrying amount exceeds the estimated future undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is then measured as the difference between the carrying amount of the asset grouping and its fair value. We endeavor to utilize the best information available to measure fair value, which is usually either market prices (if available), level 1 or level 2 in the fair value hierarchy or an estimate of the future discounted cash flow, level 3 of the fair value hierarchy. The key estimates in our discounted cash flow analysis include expected industry growth rates, our assumptions as to volume, selling prices and costs, and the discount rate selected. As described in more detail in Note 16 to the financial statements, we have recorded impairment charges related to long-lived assets of $28 and $78 million in 2009 and 2008, respectively, principally related to manufacturing plant and equipment in facilities scheduled to close or be downsized.

Goodwill Impairment Testing—Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. Our Goodwill balance, $10.5 billion as of December 31, 2009, is subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value is reduced to fair value. The fair value of our reporting units is estimated utilizing a discounted cash flow approach utilizing cash flow forecasts in our five year strategic and annual operating plans adjusted for terminal value assumptions. This impairment test involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. To address this uncertainty we perform sensitivity analysis on key estimates and assumptions.

We completed our annual impairment test as of March 31, 2009 and determined that there was no impairment as of that date. Given the significant changes in the business climate and decline in mid-range forecasts for certain of our reporting units we re-tested goodwill for impairment in the second half of 2009. No impairment was indicated by this interim test. However, significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may have a negative effect on the fair value of our reporting units.

Income Taxes—Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Our provision for income taxes is based on domestic and international statutory income tax rates in the jurisdictions in which we operate. Significant judgment is required in determining income tax provisions as well as deferred tax asset and liability balances, including the estimation of valuation allowances and the evaluation of tax positions.

As of December 31, 2009, we recognized a net deferred tax asset of $3,028 million, less a valuation allowance of $578 million. Net deferred tax assets are primarily comprised of net deductible temporary differences, net operating loss carryforwards and tax credit carryforwards that are available to reduce taxable income in future periods. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Our net deferred tax asset of $3,028 million is comprised of $2,132 million related to U.S. operations and $896 million related to non-U.S. operations. The U.S. net deferred tax asset of $2,132 million is comprised of net deductible temporary differences, tax credit carryforwards and state tax net operating losses which we believe will more likely than not be realized through the generation of future taxable income in the U.S. and tax planning strategies. We maintain a valuation allowance of $8 million against such asset related to state net operating losses. The non-U.S. net deferred tax asset of $896 million is comprised principally of net operating and capital loss carryforwards, mainly in Germany, Luxembourg, Netherlands and the United Kingdom. We maintain a valuation allowance of $570 million against these deferred tax assets reflecting our historical experience and lower expectations of taxable income over the applicable carryforward periods. As more fully described in Note 6 to the financial statements, our valuation allowance increased by $133 million in 2009 and decreased by $45 million and $26 million in 2008 and 2007, respectively. In the event we determine that we will not be able to realize our net deferred tax assets in the future, we will reduce such amounts through a charge to income in the period such determination is made. Conversely, if we determine that we will be able to realize net deferred tax assets in excess of the carrying amounts, we will decrease the recorded valuation allowance through a credit to income in the period that such determination is made.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, as defined by the authoritative guidance for uncertainty in income taxes, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Sales Recognition on Long-Term Contracts—In 2009, we recognized approximately 15 percent of our total net sales using the percentage-of-completion method for long-term contracts in our Automation and Control Solutions, Aerospace and Specialty Materials segments. These long-term contracts are measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Accounting for these contracts involves management judgment in estimating total contract revenue and cost. Contract revenues are largely determined by negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with technical performance and price adjustment clauses (such as inflation or index-based clauses). Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management judgment. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends and other economic projections. Significant factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Anticipated losses on long-term contracts are recognized when such losses become evident. We maintain financial controls over the customer qualification, contract pricing and estimation processes to reduce the risk of contract losses.

OTHER MATTERS

Litigation

See Note 21 to the financial statements for a discussion of environmental, asbestos and other litigation matters.

Recent Accounting Pronouncements

See Note 1 to the financial statements for a discussion of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information relating to market risk is included in Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations under the caption "Financial Instruments".

Item 8. Financial Statements and Supplementary Data

HONEYWELL INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF OPERATIONS

	Years Ended December 31,		
	2009	2008	2007
	(Dollars in millions, except per share amounts)		
Product sales	$ 23,914	$ 29,212	$ 27,805
Service sales	6,994	7,344	6,784
Net sales	30,908	36,556	34,589
Costs, expenses and other			
Cost of products sold	18,637	23,043	21,629
Cost of services sold	4,548	4,951	4,671
	23,185	27,994	26,300
Selling, general and administrative expenses	4,341	5,033	4,565
Other (income) expense	(55)	(748)	(69)
Interest and other financial charges	459	456	456
	27,930	32,735	31,252
Income from continuing operations before taxes	2,978	3,821	3,337
Tax expense	789	1,009	877
Net income	2,189	2,812	2,460
Less: Net income attributable to the noncontrolling interest	36	20	(16)
Net income attributable to Honeywell	$ 2,153	$ 2,792	$ 2,444
Earnings per share of common stock—basic	$ 2.86	$ 3.79	$ 3.20
Earnings per share of common stock—assuming dilution	$ 2.85	$ 3.76	$ 3.16

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEET

	December 31, 2009	December 31, 2008
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,801	$ 2,065
Accounts, notes and other receivables	6,274	6,129
Inventories	3,446	3,848
Deferred income taxes	1,034	922
Other current assets	381	299
Total current assets	13,936	13,263
Investments and long-term receivables	579	670
Property, plant and equipment—net	4,847	4,934
Goodwill	10,494	10,185
Other intangible assets—net	2,174	2,267
Insurance recoveries for asbestos related liabilities	941	1,029
Deferred income taxes	2,017	2,135
Other assets	1,016	1,007
Total assets	$ 36,004	$ 35,490
LIABILITIES		
Current liabilities:		
Accounts payable	$ 3,633	$ 3,773
Short-term borrowings	45	56
Commercial paper	298	1,431
Current maturities of long-term debt	1,018	1,023
Accrued liabilities	6,153	6,006
Total current liabilities	11,147	12,289
Long-term debt	6,246	5,865
Deferred income taxes	542	698
Postretirement benefit obligations other than pensions	1,594	1,799
Asbestos related liabilities	1,040	1,538
Other liabilities	6,481	6,032
SHAREOWNERS' EQUITY		
Capital—common stock—Authorized 2,000,000,000 shares (Par value $1 per share):		
—issued 957,599,900	958	958
—additional paid-in capital	3,823	3,994
Common stock held in treasury, at cost: 2009—193,390,602 shares; 2008—223,013,668 shares	(8,995)	(10,206)
Accumulated other comprehensive income (loss)	(4,429)	(3,809)
Retained earnings	17,487	16,250
Total Honeywell shareowners' equity	8,844	7,187
Noncontrolling interest	110	82
Total shareowners' equity	8,954	7,269
Total liabilities and shareowners' equity	$ 36,004	$ 35,490

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31,		
	2009	2008	2007
	(Dollars in millions)		
Cash flows from operating activities:			
Net income attributable to Honeywell	$ 2,153	$ 2,792	$ 2,444
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:			
Depreciation and amortization	957	903	837
Gain on sale of non-strategic businesses and assets	(87)	(635)	(19)
Repositioning and other charges	478	1,012	543
Net payments for repositioning and other charges	(658)	(446)	(504)
Pension and other postretirement expense	93	113	322
Pension and other postretirement payments	(189)	(214)	(300)
Stock compensation expense	118	128	112
Deferred income taxes	371	115	332
Excess tax benefits from share based payment arrangements	(1)	(21)	(86)
Other	261	81	133
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts, notes and other receivables	344	392	(467)
Inventories	479	(161)	(183)
Other current assets	(31)	25	17
Accounts payable	(167)	(152)	397
Accrued liabilities	(175)	(141)	333
Net cash provided by operating activities	3,946	3,791	3,911
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(609)	(884)	(767)
Proceeds from disposals of property, plant and equipment	31	53	98
Increase in investments	(24)	(6)	(20)
Decrease in investments	1	18	6
Cash paid for acquisitions, net of cash acquired	(468)	(2,181)	(1,150)
Proceeds from sales of businesses, net of fees paid	1	909	51
Other	(65)	68	—
Net cash used for investing activities	(1,133)	(2,023)	(1,782)
Cash flows from financing activities:			
Net (decrease)/increase in commercial paper	(1,133)	(325)	1,078
Net decrease in short-term borrowings	(521)	(1)	(3)
Payments of debt assumed with acquisitions	—	—	(40)
Proceeds from issuance of common stock	37	146	603
Proceeds from issuance of long-term debt	1,488	1,487	1,885
Payments of long-term debt	(1,106)	(428)	(430)
Excess tax benefits from share based payment arrangements	1	21	86
Repurchases of common stock	—	(1,459)	(3,986)
Cash dividends paid	(918)	(811)	(767)
Net cash used for financing activities	(2,152)	(1,370)	(1,574)
Effect of foreign exchange rate changes on cash and cash equivalents	75	(162)	50
Net increase in cash and cash equivalents	736	236	605
Cash and cash equivalents at beginning of period	2,065	1,829	1,224

Cash and cash equivalents at end of period	$ 2,801	$ 2,065	$ 1,829

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY

	Years Ended December 31,			
	2009		2008	
	Shares	$	Shares	$
			(in millions)	
Common stock, par value	957.6	958	957.6	958
Additional paid-in capital				
Beginning balance		3,994		4,014
Issued for employee savings and option plans		(99)		(56)
Contributed to pension plans		(190)		(90)
Stock-based compensation expense		118		128
Other owner changes		—		(2)
Ending balance		3,823		3,994
Treasury stock				
Beginning balance	(223.0)	(10,206)	(211.0)	(9,479)
Reacquired stock or repurchases of common stock	—	—	(27.4)	(1,459)
Issued for employee savings and option plans	6.6	281	9.0	427
Contributed to pension plans	23.0	930	6.1	290
Other owner changes	—	—	0.3	15
Ending balance	(193.4)	(8,995)	(223.0)	(10,206)
Retained earnings				
Beginning balance		16,250		14,273
Net income attributable to Honeywell		2,153		2,792
Dividends paid on common stock		(916)		(815)
Uncertain tax positions		—		—
Ending balance		17,487		16,250
Accumulated other comprehensive income (loss)				
Beginning balance		(3,809)		(544)
Foreign exchange translation adjustment		259		(614)
Pensions and other post retirement benefit adjustments		(1,021)		(2,576)
Changes in fair value of available for sale investments		112		(51)
Changes in fair value of effective cash flow hedges		30		(24)
Ending balance		(4,429)		(3,809)
Total Shareowners Equity Shares	**764.2**	**8,844**	**734.6**	**7,187**
Non controlling interest				
Beginning Balance		82		71
Acquisitions		5		4
Interest sold (bought)		—		(3)
Comprehensive income attributable to non controlling interest		36		20
Foreign exchange translation adjustment		(1)		(2)
Dividends paid		(9)		(7)
Other owner changes		(3)		(1)
Ending balance		110		82
Total shareowners equity	**764.2**	**8,954**	**734.6**	**7,269**

Comprehensive income		
Net income	2,189	2,812
Foreign exchange translation adjustment	259	(614)
Pensions and other post retirement benefit adjustments	(1,021)	(2,576)
Changes in fair value of available for sale investments	112	(51)
Changes in fair value of effective cash flow hedges	30	(24)
Total comprehensive income	1,569	(453)
Comprehensive income attributable to non controlling interest	(36)	(20)
Comprehensive income (loss) attributable to Honeywell	**1,533**	**(473)**

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note 1—Summary of Significant Accounting Policies

Accounting Principles—The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The following is a description of the significant accounting policies of Honeywell International Inc.

Principles of Consolidation—The consolidated financial statements include the accounts of Honeywell International Inc. and all of its subsidiaries and entities in which a controlling interest is maintained. Our consolidation policy requires the consolidation of entities where a controlling financial interest is obtained as well as consolidation of variable interest entities in which we bear a majority of the risk to the entities' potential losses or stand to gain from a majority of the entities' expected returns. All intercompany transactions and balances are eliminated in consolidation.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and on deposit and highly liquid, temporary cash investments with an original maturity of three months or less.

Inventories—Inventories are valued at the lower of cost or market using the first-in, first-out or the average cost method and the last-in, first-out (LIFO) method for certain qualifying domestic inventories.

Investments—Investments in affiliates over which we have a significant influence, but not a controlling interest, are accounted for using the equity method of accounting. Other investments are carried at market value, if readily determinable, or at cost. All equity investments are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. Significant and sustained decreases in quoted market prices or a series of historic and projected operating losses by investees are strong indicators of other-than-temporary declines. If the decline in fair value is determined to be other- than-temporary, an impairment loss is recorded and the investment is written down to a new carrying value.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost, including any asset retirement obligations, less accumulated depreciation. For financial reporting, the straight-line method of depreciation is used over the estimated useful lives of 10 to 50 years for buildings and improvements and 2 to 16 years for machinery and equipment. Recognition of the fair value of obligations associated with the retirement of tangible long-lived assets is required when there is a legal obligation to incur such costs. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived asset and depreciated over the corresponding asset's useful life. See Note 11 and Note 17 for additional details.

Goodwill and Indefinite-Lived Intangible Assets—Goodwill represents the excess of acquisition costs over the fair value of tangible net assets and identifiable intangible assets of businesses acquired. Goodwill and certain other intangible assets deemed to have indefinite lives are not amortized. Intangible assets determined to have definite lives are amortized over their useful lives. Goodwill and indefinite lived intangible assets are subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. We completed our annual goodwill impairment test as of March 31, 2009 and determined that there was no impairment as of that date. See Note 12 for additional details on goodwill balances.

Other Intangible Assets with Determinable Lives—Other intangible assets with determinable lives consist of customer lists, technology, patents and trademarks and other intangibles and are amortized over their estimated useful lives, ranging from 2 to 24 years.

Long-Lived Assets—We periodically evaluate the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We evaluate events or changes in circumstances based on a number of factors including operating results, business plans and forecasts, general and industry trends and, economic projections and anticipated cash flows. An impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. We also continually evaluate the estimated useful lives of all long-lived assets and periodically revise such estimates based on current events.

Sales Recognition—Product and service sales are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Service sales, principally representing repair, maintenance and engineering activities in our Aerospace and Automation and Control Solutions segments, are recognized over the contractual period or as services are rendered. Sales under long-term contracts in the Aerospace and Automation and Control Solutions segments are recorded on a percentage-of-completion method measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident. Revenues from contracts with multiple element arrangements are recognized as each element is earned based on the relative fair value of each element provided the delivered elements have value to customers on a standalone basis. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately or competitor prices for similar products or services.

Allowance for Doubtful Accounts—We maintain allowances for doubtful accounts for estimated losses as a result of customer's inability to make required payments. We estimate anticipated losses from doubtful accounts based on days past due, as measured from the contractual due date, historical collection history and incorporate changes in economic conditions that may not be reflected in historical trends for example, customers in bankruptcy, liquidation or reorganization. Receivables are written-off against the allowance for doubtful accounts when they are determined uncollectible. Such determination includes analysis and consideration of the particular conditions of the account, including time intervals since last collection, success of outside collection agencies activity, solvency of customer and any bankruptcy proceedings.

Environmental Expenditures—Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not provide future benefits, are expensed as incurred. Liabilities are recorded when environmental remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities.

Asbestos Related Contingencies and Insurance Recoveries—Honeywell is a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrue for pending claims based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with current claimants. We also accrue for the probable value of future NARCO asbestos related claims through 2018 based on the disease criteria and payment values contained in the NARCO trust as described in Note 21. In light of the inherent uncertainties in making long term projections regarding claims filing rates and disease manifestation, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond

2018. Regarding Bendix asbestos related claims, we accrue for the estimated value of pending claims based on expected claim resolution values and historic dismissal rates. We also accrue for the estimated cost of future anticipated claims related to Bendix for the next five years based on our assessment of additional claims that may be brought against us and anticipated resolution values in the tort system. We value Bendix pending and future claims using average resolution values for the previous four years. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers.

Aerospace Sales Incentives—We provide sales incentives to commercial aircraft manufacturers and airlines in connection with their selection of our aircraft equipment, predominately wheel and braking system hardware and auxiliary power units, for installation on commercial aircraft. These incentives principally consist of free or deeply discounted products, but also include credits for future purchases of product and upfront cash payments. These costs are recognized in the period incurred as cost of products sold or as a reduction to sales, as appropriate. For aircraft manufacturers, incentives are recorded when the products are delivered; for airlines, incentives are recorded when the associated aircraft are delivered by the aircraft manufacturer to the airline.

Research and Development—Research and development costs for company-sponsored research and development projects are expensed as incurred. Such costs are principally included in Cost of Products Sold and were $1,330, $1,543 and $1,459 million in 2009, 2008 and 2007, respectively.

Stock-Based Compensation Plans—The principal awards issued under our stock-based compensation plans, which are described in Note 20, include non-qualified stock options and restricted stock units (RSUs). The cost for such awards is measured at the grant date based on the fair value of the award. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods (generally the vesting period of the equity award) and is included in selling, general and administrative expense in our Consolidated Statement of Operations. Forfeitures are required to be estimated at the time of grant in order to estimate the portion of the award that will ultimately vest. The estimate is based on our historical rates of forfeiture.

Pension and Other Postretirement Benefits—We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. We also sponsor postretirement benefit plans that provide health care benefits and life insurance coverage to eligible retirees. For our U.S. defined benefit pension plans we use the market-related value of plan assets reflecting changes in the fair value of plan assets over a three-year period. Further, net actuarial (gains) or losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) are recognized over a six-year period.

Foreign Currency Translation—Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. Sales, costs and expenses are translated at the average exchange rates in effect during the year. Foreign currency translation gains and losses are included as a component of Accumulated Other Comprehensive Income (Loss). For subsidiaries operating in highly inflationary environments, inventories and property, plant and equipment, including related expenses, are remeasured at the exchange rate in effect on the date the assets were acquired, while monetary assets and liabilities are remeasured at year-end exchange rates. Remeasurement adjustments for these subsidiaries are included in earnings.

Derivative Financial Instruments—As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes and we do not use leveraged derivative financial instruments. Derivative financial instruments used for hedging purposes must be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in fair value of the derivative contract must be highly correlated with changes in fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

All derivatives are recorded on the balance sheet as assets or liabilities and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in Accumulated Other Comprehensive Income (Loss) and subsequently recognized in earnings when the hedged items impact earnings. Cash flows of such derivative financial instruments are classified consistent with the underlying hedged item.

Transfers of Financial Instruments—Sales, transfers and securitization of financial instruments are accounted for under authoritative guidance for the transfers and servicing of financial assets and extinguishments of liabilities. We sell interests in designated pools of trade accounts receivables to third parties. The receivables are removed from the Consolidated Balance Sheet at the time they are sold. The value assigned to our subordinated interests and undivided interests retained in trade receivables sold is based on the relative fair values of the interests retained and sold. The carrying value of the retained interests approximates fair value due to the short-term nature of the collection period for the receivables.

Income Taxes—Deferred tax liabilities or assets reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, as defined by the authoritative guidance for uncertainty in income taxes, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various

Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

In June 2006, the Financial Accounting Standards Board (FASB) issued guidance for accounting for uncertainty in income taxes, which establishes a single model to address accounting for uncertain tax positions. The guidance clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The guidance also provides guidance on derecognition, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition. Upon adoption as of January 1, 2007, we reduced our existing reserves for uncertain tax positions by $33 million, largely related to a reduction in state income tax matters, partially offset by a net increase for federal and international tax reserves.

Earnings Per Share—Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding.

Use of Estimates—The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures in the accompanying notes. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements—In September 2006, the Financial Accounting Standards Board (FASB) issued new accounting guidance on fair value measurements. This guidance establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. It is effective for financial assets and financial liabilities for fiscal years beginning after November 15, 2007. Issued in February 2008, a FASB staff position removed leasing transactions from the scope of the new fair value guidance. Also in February 2008, the FASB issued authoritative guidance deferring the effective date of the fair value guidance for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008.

In September 2009, the FASB issued additional guidance on measuring the fair value of liabilities effective for the first reporting period (including interim periods) beginning after issuance. Implementation did not have a material impact on our consolidated financial position and results of operations.

The implementation of the fair value guidance for nonfinancial assets and nonfinancial liabilities, effective January 1, 2009, did not have a material impact on our consolidated financial position and results of operations. See Note 16 for additional fair value information and disclosure for financial and nonfinancial assets and liabilities.

In December 2007, the FASB issued new guidance on business combinations. The new standard provides revised guidance on how acquirors recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, noncontrolling interests, and goodwill acquired in a business combination. The new standard also expands required disclosures surrounding the nature and financial effects of business combinations. The standard is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. Upon adoption, this standard did not have a material impact on our consolidated financial position and results of operations. However, if the Company enters into any business combinations after the adoption of the new guidance on business combinations, a transaction may significantly impact the Company's consolidated financial position and results of operations as compared to the Company's recent acquisitions, accounted for under prior GAAP requirements, due to the changes described above.

In April 2009, the FASB issued a staff position amending and clarifying the new business combination standard to address application issues associated with initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The staff position is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In December 2007, the FASB issued new guidance on noncontrolling interests which establishes requirements for ownership interests in subsidiaries held by parties other than the Company (sometimes called "minority interests") be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent's equity. All changes in the parent's ownership interests are required to be accounted for consistently as equity transactions and any noncontrolling equity investments in unconsolidated subsidiaries must be measured initially at fair value. The new guidance is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. However, presentation and disclosure requirements must be retrospectively applied to comparative financial statements. Upon adoption of the new guidance on noncontrolling interest the Company reclassified $82 million and $71 million of noncontrolling interest from other liabilities to noncontrolling interest as a separate component of shareholders equity in our consolidated balance sheet as of December 31, 2008 and 2007, respectively and $20 million and $16 million of noncontrolling interest expense to net income attributable to noncontrolling interest in our statement of operations for the years ended December 31, 2008 and 2007, respectively. See statement of shareholders' equity for additional disclosures regarding noncontrolling interest components of other comprehensive income. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In November 2008, the FASB ratified an issue providing guidance for accounting for defensive intangible assets subsequent to their acquisition in accordance with the new business combination and fair value standards, including the estimated useful life that should be assigned to such assets. The new guidance is effective for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In April 2009, the FASB issued a staff position which changes the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of the impairment to be recorded in earnings. The guidance is effective for interim and annual periods ending after June 15, 2009. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In May 2009, the FASB issued new guidance on subsequent events. The standard provides guidance on management's assessment of subsequent events and incorporates this guidance into accounting literature. The standard is effective prospectively for interim and annual periods ending after June 15, 2009. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations. The Company has evaluated subsequent events through February 12, 2010, the date of issuance of our consolidated financial statements.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for transfers of financial assets. The guidance requires additional disclosures for transfers of financial assets and changes the requirements for derecognizing financial assets. The guidance is effective for fiscal years beginning after November 15, 2009. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities. The guidance affects the overall consolidation analysis and requires enhanced disclosures on involvement with variable interest entities. The guidance is effective for fiscal years beginning after November 15, 2009. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In October 2009, the FASB issued amendments to the accounting and disclosure for revenue recognition. These amendments, effective for fiscal years beginning on or after June 15, 2010 (early adoption is permitted), modify the criteria for recognizing revenue in multiple element arrangements and the scope of what constitutes a non-software deliverable. The Company has elected to early adopt this guidance, on a prospective basis for applicable transactions originating or materially modified after January 1, 2010. The implementation of this amended accounting guidance is not expected to have a material impact on our consolidated financial position and results of operations.

Note 2—Acquisitions and Divestitures

We acquired businesses for an aggregate cost of $468, $2,181 and $1,190 million in 2009, 2008 and 2007, respectively. For all of our acquisitions the acquired businesses were recorded at their estimated fair values at the dates of acquisition. Significant acquisitions made in these years are discussed below.

In August 2009, the Company completed the acquisition of the RMG Group (RMG Regel + Messtechnik GmbH), a natural gas measuring and control products, services and integrated solutions company, for a purchase price of approximately $416 million, net of cash acquired. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned $174 million to identifiable intangible assets, predominantly customer relationships, existing technology and trademarks. These intangible assets are being amortized over their estimated lives using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired (approximating $225 million), was recorded as goodwill. This goodwill is non- deductible for tax purposes. This acquisition was accounted for by the acquisition method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2009 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements. As of December 31, 2009, the purchase accounting for the RMG Group is still subject to adjustment primarily for useful lives of intangible assets, amounts allocated to intangible assets and goodwill, and for certain pre- acquisition contingencies.

In May 2008, the Company completed the acquisition of Safety Products Holding, Inc, which through its subsidiary Norcross Safety Products L.L.C. (Norcross) is a leading manufacturer of personal protective equipment. The purchase price, net of cash acquired, was approximately $1.2 billion and was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

(Dollars in millions, except per share amounts)

The following table summarizes the estimated fair values of the assets and liabilities acquired as of the acquisition date.

Accounts and other receivables	$ 102
Inventories	118
Other current assets	28
Property, plant and equipment	65
Intangible assets	702
Other assets and deferred charges	3
Accounts payable	(27)
Accrued liabilities	(74)
Deferred income taxes	(274)
Other long-term liabilities	(26)
Net assets acquired	617
Goodwill	604
Purchase price	$ 1,221

The Company has assigned $702 million to intangible assets, predominantly customer relationships, trade names, and technology. These intangibles assets are being amortized over their estimated lives using straight line and accelerated amortization methods. The value assigned to the trade names of approximately $257 million is classified as an indefinite lived intangible. The excess of the purchase price over the estimated fair values of net assets acquired (approximately $604 million) was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2008 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In July 2008, the Company completed the sale of its Consumables Solutions business to B/E Aerospace (B/E) for $1.05 billion, consisting of approximately $901 million in cash and six million shares of B/E common stock. In connection with the completion of the sale, the Company and B/E entered into, among other things, exclusive supply and license agreements and a stockholder agreement. Because of the extent of the Company's cash flows associated with the supply and license agreements, the Consumables Solutions business is not classified as discontinued operations. The provisions of the license and supply agreements were determined to be at-market. As such, we have not allocated any portion of the proceeds to these agreements. The pre-tax gain of $623 million was classified as Other (Income)/Expense in our Statement of Operations. The gain on sale was approximately $417 million net of tax. The sale of the Consumables Solutions business, within the Aerospace segment, is consistent with the Company's strategic focus on core product areas utilizing advanced technologies.

In July 2008, the Company completed the acquisition of Metrologic Instruments, Inc. (Metrologic), a leading manufacturer of data capture and collection hardware and software, for a purchase price of approximately $715 million, net of cash acquired. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date. The Company has assigned $248 million to identifiable intangible assets, predominantly customer relationships, technology and trademarks. These intangible assets are being amortized over their estimated lives which range from 1-15 years using straight line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired (approximately $440 million) was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2008, are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In December 2007, the Company, specifically the Automation and Control Solutions segment, completed the acquisition of Maxon Corporation, a leading industrial combustion business, for a purchase price of approximately $185 million. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date. The Company has assigned $70 million to identifiable intangible assets, predominantly customer relationships and trademarks. These intangible assets are being amortized over their estimated lives which range from 7-20 years using straight line and accelerated amortization methods. The value assigned to the trade marks of approximately $10 million is classified as an indefinite lived intangible. The excess of the purchase price over the estimated fair values of net assets acquired approximating $114 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 were not material to the consolidated financial statements.

In December 2007, the Company, specifically the Automation and Control Solutions segment, completed the acquisition of Hand Held Products, Inc. a privately held automatic identification and data collection company, for a purchase price of approximately $390 million. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned $101 million to identifiable intangible assets, predominantly customer relationships and existing technology. These intangible assets are being amortized over their estimated lives which range from 1 to 15 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating $257 million, was recorded as goodwill. This goodwill is non- deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 were not material to the consolidated financial statements.

In July 2007, the Company completed the acquisition of Dimensions International, a defense logistics business, for a purchase price of approximately $233 million. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned $21 million to identifiable intangible assets, predominantly contractual relationships. These intangible assets are being amortized over their estimated life of 5 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating $183 million, was recorded as goodwill. Goodwill will be deducted over a 15 year period for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 are included in the Aerospace segment and were not material to the consolidated financial statements.

In July 2007, the Company completed the acquisition of Enraf Holding B.V., a provider of comprehensive solutions for the control and management of transportation, storage and blending operations in the oil and gas industry, for a purchase price of approximately $264 million, including the assumption of approximately $40 million of debt. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned $90 million to identifiable intangible assets, predominantly customer relationships, existing technology and trademarks. The remaining intangible assets are being amortized over their estimated life of 8-15 years using straight-line and accelerated amortization methods. The value assigned to the trademarks of approximately $27 million is classified as an indefinite lived intangible. The excess of the purchase price over the estimated fair values of net assets acquired approximating $167 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

(Dollars in millions, except per share amounts)

In connection with all acquisitions in 2009, 2008 and 2007, the amounts recorded for transaction costs and the costs of integrating the acquired businesses into Honeywell were not material.

The pro forma results for 2009, 2008 and 2007, assuming these acquisitions had been made at the beginning of the year, would not be materially different from consolidated reported results.

Note 3—Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Years Ended December 31,		
	2009	2008	2007
Severance	$ 206	$ 333	$ 186
Asset impairments	8	78	14
Exit costs	10	33	9
Reserve adjustments	(53)	(20)	(18)
Total net repositioning charge	171	424	191
Asbestos related litigation charges, net of insurance	155	125	100
Probable and reasonably estimable environmental liabilities	145	465	225
Business impairment charges	—	—	9
Other	7	(2)	18
Total net repositioning and other charges	$ 478	$ 1,012	$ 543

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification.

	Years Ended December 31,		
	2009	2008	2007
Cost of products and services sold	$ 411	$ 908	$ 495
Selling, general and administrative expenses	67	104	48
	$ 478	$ 1,012	$ 543

The following table summarizes the pretax impact of total net repositioning and other charges by segment.

	Years Ended December 31,		
	2009	2008	2007
Aerospace	$ 31	$ 84	$ 37
Automation and Control Solutions	70	164	127
Specialty Materials	9	42	14
Transportation Systems	173	233	119
Corporate	195	489	246
	$ 478	$ 1,012	$ 543

(Dollars in millions, except per share amounts)

In 2009, we recognized repositioning charges totaling $224 million primarily for severance costs related to workforce reductions of 4,423 manufacturing and administrative positions mainly in our Automation and Control Solutions, Transportation Systems and Aerospace segments. The workforce reductions were primarily related to the adverse market conditions experienced by many of our businesses, cost savings actions taken in connection with our ongoing functional transformation initiative, the planned downsizing or shutdown of certain manufacturing facilities, and organizational realignments of portions of our Aerospace and Transportation Systems segments. Also, $53 million of previously established accruals, primarily for severance at our Automation and Control Solutions, Aerospace, and Transportation Systems segments, were returned to income in 2009 due to fewer employee separations than originally planned associated with prior severance programs and changes in the scope of previously announced repositioning actions.

In 2008, we recognized repositioning charges totaling $444 million including severance costs of $333 million related to workforce reductions of 7,480 manufacturing and administrative positions across all of our segments. The workforce reductions primarily relate to the planned downsizing or shutdown of certain manufacturing facilities in our Aerospace, Automation and Control Solutions and Transportation Systems segments, the rationalization of non-manufacturing infrastructure, outsourcing of non-core components, managing capacity utilization to address product demand volatility and our functional transformation initiative. The repositioning charge also included asset impairments of $78 million principally related to manufacturing plant and equipment in facilities scheduled to close or be downsized and certain administrative facilities, and information technology equipment in our Corporate segment. Also, $20 million of previously established accruals, primarily for severance at our Automation and Control Solutions segment were returned to income in 2008 due mainly to fewer employee separations than originally planned associated with prior severance programs.

In 2007, we recognized repositioning charges totaling $209 million primarily for severance costs related to workforce reductions of 3,408 manufacturing and administrative positions mainly in our Automation and Control Solutions and Aerospace segments. Also, $18 million of previously established accruals, primarily for severance at our Transportation Systems and Aerospace segments, were returned to income in 2007 due mainly to changes in the scope of previously announced severance programs and due to fewer employee separations than originally planned associated with prior severance programs.

The following table summarizes the status of our total repositioning reserves.

	Severance Costs	Asset Impairments	Exit Costs	Total
Balance at December 31, 2006	$ 118	$ —	$ 9	$ 127
2007 charges	186	14	9	209
2007 usage	(85)	(14)	(7)	(106)
Adjustments	(18)	—	—	(18)
Balance at December 31, 2007	201	—	11	212
2008 charges	333	78	33	444
2008 usage	(149)	(78)	(8)	(235)
Adjustments	(20)	—	—	(20)
Balance at December 31, 2008	365	—	36	401
2009 charges	206	8	10	224
2009 usage	(193)	(8)	(7)	(208)
Adjustments	(51)	—	(2)	(53)
Divestitures(1)	(24)	—	—	(24)
Balance at December 31, 2009	$ 303	$ —	$ 37	$ 340

(1)relates to businesses divested during 2009 included in Gain on Sale of Non-Strategic Businesses and Assets see Note 4, Other (Income) Expense.

(Dollars in millions, except per share amounts)

Certain repositioning projects in our Aerospace, Automation and Control Solutions and Transportation Systems segments included exit or disposal activities, the costs related to which, will be recognized in future periods when the actual liability is incurred. The nature of these exit or disposal costs principally includes product recertification and requalification and employee training and travel. The following table summarizes by segment, expected, incurred and remaining exit and disposal costs related to 2008 repositioning actions which we were not able to recognize at the time the actions were initiated. The exit and disposal costs related to the 2009 repositioning actions which we were not able to recognize at the time the actions were initiated were not significant.

	Aerospace	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	$ 96	$ 27	$ 6	$ 129
Costs incurred year ended December 31, 2008	(12)	—	(1)	(13)
Costs incurred year ended December 31, 2009	(44)	(1)	(2)	(47)
Remaining exit and disposal costs at December 31, 2009	$ 40	$ 26	$ 3	$ 69

In 2009, we recognized a charge of $145 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $155 million. Environmental and Asbestos Matters are discussed in detail in Note 21.

In 2008, we recognized a charge of $465 million for environmental liabilities deemed probable and reasonably estimable during the year, of which $309 million was recognized in the third quarter which included:

- $100 million related to the resolution of technical design issues regarding the remediation plan for Onondaga Lake ("Lake") *(as previously reported, the ultimate cost of the remediation of the Lake depended* upon the resolution of these issues);
- $90 million for the estimated cost of proposed remedial actions to be taken at other sites located in Syracuse, New York in accordance with remediation plans submitted to state environmental regulators;
- $38 million primarily related to changes in cost estimates (due to, among other things, increases in the cost of steel, waste transportation and disposal costs) and settlement costs relating to the remediation of the New Jersey Chrome sites known as Study Areas 5, 6 and 7.

We also recognized asbestos related litigation charges, net of insurance, of $125 million.

In 2007, we recognized a charge of $225 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $100 million. We recognized other charges of $18 million for a business sales tax related to a prior divestiture ($8 million) and for contemplated settlements of certain legal matters ($10 million). We also recognized impairment charges of $9 million related to the write-down of property, plant and equipment held for sale in our Specialty Materials segment.

(Dollars in millions, except per share amounts)

Note 4—Other (Income)/Expense

	Years Ended December 31,		
	2009	2008	2007
Gain on sale of non-strategic businesses and assets	$ (87)	$ (635)	$ (19)
Equity (income)/loss of affiliated companies	(26)	(63)	(10)
Interest income	(33)	(102)	(81)
Foreign exchange	45	52	34
Other (net)	46	0	7
	$ (55)	$ (748)	$ (69)

Gain on sale of non-strategic businesses and assets for 2009 includes a $50 million pre-tax gain, $42 million net of tax, related to the deconsolidation of a subsidiary within our Automation and Control Solutions segment. The subsidiary achieved contractual milestones at December 31, 2009 and as a result, we are no longer the primary beneficiary, resulting in deconsolidation. We continue to hold a non-controlling interest which was recorded at its estimated fair value of $67 million upon deconsolidation. The fair value was estimated using a combination of a market and income approaches utilizing observable market data for comparable businesses and discounted cash flow modeling. Our non-controlling interest, classified within Investments and long-term receivables on our Balance Sheet will be accounted for under the equity method on a prospective basis.

Other (net) for 2009 includes an other-than-temporary impairment charge of $62 million recognized in the second quarter of 2009. See Note 16, Financial Instruments and Fair Value Measures for further details.

Gain on sale of non-strategic businesses and assets for 2008 includes a $623 million pre-tax gain related to the sale of our Consumables Solutions business. See Note 2 for further details.

Note 5—Interest and Other Financial Charges

	Years Ended December 31,		
	2009	2008	2007
Total interest and other financial charges	$ 474	$ 482	$ 478
Less—capitalized interest	(15)	(26)	(22)
	$ 459	$ 456	$ 456

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 2009 and 2008 was 1.47 percent and 1.63 percent, respectively.

Note 6—Income Taxes

Income from continuing operations before taxes

	Years Ended December 31,		
	2009	2008	2007
United States	$ 1,744	$ 2,003	$ 2,084
Foreign	1,234	1,818	1,253
	$ 2,978	$ 3,821	$ 3,337

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

Tax expense

	Years Ended December 31,		
	2009	2008	2007
United States	$ 528	$ 696	$ 542
Foreign	261	313	335
	$ 789	$ 1,009	$ 877

	Years Ended December 31,		
	2009	2008	2007
Tax expense consist of:			
Current:			
United States	$ (27)	$ 493	$ 249
State	21	70	64
Foreign	424	331	232
	418	894	545
Deferred:			
United States	484	106	225
State	50	26	4
Foreign	(163)	(17)	103
	371	115	332
	$ 789	$ 1,009	$ 877

	Years Ended December 31,		
	2009	2008	2007
The U.S. statutory federal income tax rate is reconciled to our effective income tax rate as follows:			
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Taxes on foreign earnings below U.S. tax rate(1)	(6.2)	(6.5)	(4.7)
State income taxes(1)	1.7	1.8	.9
Manufacturing incentives	(1.0)	(.7)	(.8)
ESOP dividend tax benefit	(.8)	(.5)	(.5)
Tax credits	(1.2)	(1.0)	(.6)
Audit settlements	(.5)	(1.5)	(2.9)
All other items—net	(.5)	(.2)	(.1)
	26.5%	26.4%	26.3%

(1)Net of changes in valuation allowance.

The effective tax rate increased by 0.1 of a percentage point in 2009 compared with 2008 due principally to a decreased impact from the settlement of audits, partially offset by increased benefits from (i) U.S. manufacturing incentives, (ii) U.S. tax credits and (iii) employee stock ownership plan (ESOP) dividends.

Deferred tax assets (liabilities)

Deferred income taxes represent the future tax effects of transactions which are reported in different periods for tax and financial reporting purposes. The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables are as follows:

(Dollars in millions, except per share amounts)

	December 31,	
	2009	2008
Property, plant and equipment basis differences	$ (888)	$ (605)
Postretirement benefits other than pensions and post employment benefits	785	876
Investment and other asset basis differences	(758)	(598)
Other accrued items	3,035	2,477
Net operating and capital losses	818	740
Tax credits	137	87
Undistributed earnings of subsidiaries	(40)	(40)
All other items—net	(61)	(175)
	3,028	2,762
Valuation allowance	(578)	(445)
	$ 2,450	$ 2,317

There were $1 million of U.S. federal tax net operating losses available for carryforward at December 31, 2009 which were generated by certain subsidiaries prior to their acquisition and have expiration dates through 2024. The use of pre-acquisition operating losses is subject to limitations imposed by the Internal Revenue Code. We do not anticipate that these limitations will affect utilization of the carryforwards prior to their expiration. The Company has state tax net operating loss carryforwards of $2.8 billion at December 31, 2009 with varying expiration dates through 2024. We also have foreign net operating and capital losses of $2.8 billion which are available to reduce future income tax payments in several countries, subject to varying expiration rules.

We have state tax credit carryforwards of $58 million at December 31, 2009, including carryforwards of $32 million with various expiration dates through 2024 and tax credits of $26 million which are not subject to expiration.

The valuation allowance against deferred tax assets increased by $133 million in 2009 and decreased by $45 million and $26 million in 2008 and 2007, respectively. The 2009 increase in the valuation allowance was primarily due to increased foreign net operating losses related to Germany, Luxembourg, and the Netherlands. The 2008 decrease in the valuation allowance was primarily due to a decrease in the valuation allowance related to federal and state capital loss carryforwards partially offset by increased foreign net operating losses. The 2007 decrease in the valuation allowance was primarily due to a decrease in valuation allowances related to state and foreign net operating losses partially offset by a valuation allowance against U.S. capital losses.

Federal income taxes have not been provided on undistributed earnings of the majority of our international subsidiaries as it is our intention to reinvest these earnings into the respective subsidiaries. At December 31, 2009 Honeywell has not provided for U.S. federal income and foreign withholding taxes on approximately $5.1 billion of such earnings of our non-U.S. operations. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated, and foreign tax credits would be available to reduce or eliminate the resulting U.S. income tax liability.

We had $720 million, $671 million and $666 million of unrecognized tax benefits as of December 31, 2009, 2008, and 2007 respectively. If recognized, $720 million would be recorded as a component of income tax expense as of December 31, 2009. For the years ended December 31, 2009 and 2008, the Company increased its unrecognized tax benefits by $49 million and $5 million, respectively, due to additional reserves for various international and U.S. tax audit matters, partially offset by adjustments related to our ongoing assessments of the likelihood and amount of potential outcomes of current and future examinations, the expiration of various statute of limitations, and settlements with tax authorities. The following table summarizes the activity related to our unrecognized tax benefits:

(Dollars in millions, except per share amounts)

	2009	2008	2007
Change in unrecognized tax benefits:			
Balance at beginning of year	$ 671	$ 666	$ 744
Gross increases related to current period tax positions	86	81	68
Gross increases related to prior periods tax positions	86	106	100
Gross decreases related to prior periods tax positions	(77)	(54)	(167)
Decrease related to settlements with tax authorities	(44)	(42)	(101)
Expiration of the statute of limitations for the assessment of taxes	(8)	(64)	—
Foreign currency translation	6	(22)	22
Balance at end of year	$ 720	$ 671	$ 666

In many cases our uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. The following table summarizes these open tax years by major jurisdiction as of December 31, 2009:

	Open Tax Year	
Jurisdiction	**Examination in progress**	**Examination not yet initiated**
United States(1)	1998 – 2007	2005 – 2008
United Kingdom	2002 – 2007	2008 – 2009
Canada(1)	2004 – 2008	2009
Germany(1)	2004 – 2008	2009
France	N/A	2000 – 2009
Netherlands	N/A	2007 – 2009
Australia	2005 – 2007	2008 – 2009
China	2007–2008	2009
India	1999 – 2007	2008 – 2009

(1)includes federal as well as state, provincial or similar local jurisdictions, as applicable

Based on the outcome of these examinations, or as a result of the expiration of statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns will materially change from those recorded as liabilities for uncertain tax positions in our financial statements. In addition, the outcome of these examinations may impact the valuation of certain deferred tax assets (such as net operating losses) in future periods. Based on the number of tax years currently under audit by the relevant U.S federal, state and foreign tax authorities, the Company anticipates that several of these audits may be finalized in the foreseeable future. However, based on the status of these examinations, the protocol of finalizing audits by the relevant taxing authorities, and the possibility that the Company might challenge certain audit findings (which could include formal legal proceedings) at this time it is not possible to estimate the impact of any amount of such changes, if any, to previously recorded uncertain tax positions.

Unrecognized tax benefits for the above listed examinations in progress were $261 million, $249 million and $199 million, as of December 31, 2009, 2008, and 2007, respectively. These increases are primarily due to an increase in tax examinations and fewer settlements during the year. Estimated interest and penalties related to the underpayment of income taxes are classified as a component of Tax Expense in the Consolidated Statement of Operations and totaled $13 million, $19 million and $20 million for the years ended December 31, 2009, 2008, and 2007 respectively. Accrued interest and penalties were $150 million, $137 million and $118 million, as of December 31, 2009, 2008, and 2007, respectively.

(Dollars in millions, except per share amounts)

Note 7—Earnings (Loss) Per Share

The following table sets forth the computations of basic and diluted earnings (loss) per share:

Basic	2009	2008	2007
Net income attributable to Honeywell	$ 2,153	$ 2,792	$ 2,444
Weighted average number of common shares outstanding	752,620,148	736,763,174	764,543,613
Earnings per share of common stock	$ 2.86	$ 3.79	$ 3.20

Assuming Dilution	2009	2008	2007
Net income attributable to Honeywell	$ 2,153	$ 2,792	$ 2,444
Average Shares			
Weighted average number of common shares outstanding	$ 752,620,148	$ 736,763,174	$ 764,543,613
Dilutive securities issuable in connection with stock plans	3,100,413	6,767,253	9,683,868
Total weighted average number of common shares outstanding	755,720,561	743,530,427	774,227,481
Earnings (loss) per share of common stock	$ 2.85	$ 3.76	$ 3.16

The diluted earnings per share calculation excludes the effect of stock options when the options' exercise prices exceed the average market price of the common shares during the period. In 2009, 2008 and 2007, the number of stock options not included in the computation were 33,962,053, 17,825,720 and 8,599,620, respectively. These stock options were outstanding at the end of each of the respective years.

Note 8—Accounts, Notes and Other Receivables

	December 31,	
	2009	2008
Trade	$ 6,183	$ 5,893
Other	326	422
	6,509	6,315
Less—Allowance for doubtful accounts	(235)	(186)
	$ 6,274	$ 6,129

Trade Accounts Receivable includes $1,167 and $1,195 million of unbilled balances under long-term contracts as of December 31, 2009 and 2008, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

We sell interests in designated pools of trade accounts receivables to third parties. The sold receivables ($500 million at December 31, 2008) were over-collateralized and we retained a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The over-collateralization provides credit support to the purchasers of the receivable interest by limiting their losses in the event that a portion of the receivables sold becomes uncollectible. In April 2009, we modified the terms of the trade accounts receivable program to permit the repurchase of receivables from the third parties at our discretion. This modification provides additional flexibility in the management of the receivable portfolio and also requires the receivables in the program to remain on the Company balance sheet. As a result, $500 million of program receivables were reflected as Accounts, notes and other receivables with a corresponding amount recorded as Short-term borrowings in the Consolidated Balance Sheet. These short-term borrowings were repaid as of December 31, 2009. This modification also results in the

(Dollars in millions, except per share amounts)

program costs being recognized as Interest and other financial charges in the Consolidated Statement of Operations on a prospective basis.

Note 9—Inventories

	December 31, 2009	December 31, 2008
Raw materials	$ 1,291	$ 1,644
Work in process	832	952
Finished products	1,484	1,415
	3,607	4,011
Less—		
Progress payments	—	(3)
Reduction to LIFO cost basis	(161)	(160)
	$ 3,446	$ 3,848

Inventories valued at LIFO amounted to $211 and $269 million at December 31, 2009 and 2008, respectively. Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $161 and $160 million higher at December 31, 2009 and 2008, respectively.

During the year ended December 31, 2009, the quantity of inventory valued using the last-in, first-out (LIFO) method in our Specialty Materials segment declined. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2009 purchases, the effect of which decreased cost of products sold by $12 million during the year ended December 31, 2009.

Note 10—Investments and Long-Term Receivables

	December 31, 2009	December 31, 2008
Investments	$ 262	$ 153
Long-term trade and other receivables	175	209
Long-term financing receivables	142	308
	$ 579	$ 670

Long-Term Trade and Other Receivables includes $27 and $36 million of unbilled balances under long-term contracts as of December 31, 2009 and 2008, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

Note 11—Property, Plant and Equipment

	December 31, 2009	December 31, 2008
Land and improvements	$ 513	$ 475
Machinery and equipment	9,982	10,075
Buildings and improvements	2,621	2,429
Construction in progress	405	407
	13,521	13,386
Less—Accumulated depreciation and amortization	(8,674)	(8,452)
	$ 4,847	$ 4,934

(Dollars in millions, except per share amounts)

Depreciation expense was $707, $702 and $675 million in 2009, 2008 and 2007, respectively.

Note 12—Goodwill and Other Intangibles—Net

The change in the carrying amount of goodwill for the years ended December 31, 2009 and 2008 by segment are as follows:

	December 31, 2008	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2009
Aerospace	$ 1,882	$ —	$ —	$ 9	$ 1,891
Automation and Control Solutions	6,638	253	(1)	28	6,918
Specialty Materials	1,151	10	—	3	1,164
Transportation Systems	514	—	—	7	521
	$ 10,185	$ 263	$ (1)	$ 47	$ 10,494

	December 31, 2007	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2008
Aerospace	$ 1,939	$ 60	$ (72)	$ (45)	$ 1,882
Automation and Control Solutions	5,529	1,149	—	(40)	6,638
Specialty Materials	1,156	—	—	(5)	1,151
Transportation Systems	551	—	—	(37)	514
	$ 9,175	$ 1,209	$ (72)	$ (127)	$ 10,185

Intangible assets are comprised of:

	December 31, 2009			December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with determinable lives:						
Patents and technology	$ 1,053	$ (595)	$ 458	$ 1,030	$ (494)	$ 536
Customer relationships	1,359	(282)	1,077	1,250	(175)	1,075
Trademarks	164	(62)	102	164	(50)	114
Other	514	(406)	108	501	(362)	139
	3,090	(1,345)	1,745	2,945	(1,081)	1,864
Trademarks with indefinite lives	429	—	429	403	—	403
	$ 3,519	$ (1,345)	$ 2,174	$ 3,348	$ (1,081)	$ 2,267

Intangible assets amortization expense was $250, $201 and $162 million in 2009, 2008 and 2007, respectively. Estimated intangible assets amortization expense for each of the next five years approximates $245 million in 2010, $227 million in 2011, $215 million in 2012, $192 million in 2013 and $173 million in 2014.

(Dollars in millions, except per share amounts)

Note 13—Accrued Liabilities

	December 31, 2009	December 31, 2008
Compensation, benefit and other employee related	$ 1,183	$ 1,478
Customer advances and deferred income	1,270	1,159
Income taxes	455	456
Environmental costs	314	343
Asbestos related liabilities	654	171
Product warranties and performance guarantees	382	385
Repositioning	340	401
Other taxes (payroll, sales, VAT etc.)	158	139
Insurance	118	120
Accrued interest	145	162
Other (primarily operating expenses)	1,134	1,192
	$ 6,153	$ 6,006

Note 14—Long-term Debt and Credit Agreements

	December 31, 2009	December 31, 2008
Floating rate notes due 2009	$ —	$ 300
Floating rate notes due 2009	—	500
Zero coupon bonds and money multiplier notes, 13.0%—14.26%, due 2009	—	100
Floating rate notes due 2009-2011	—	193
7.50% notes due 2010	1,000	1,000
6.125% notes due 2011	500	500
5.625% notes due 2012	400	400
4.25% notes due 2013	600	600
3.875% notes due 2014	600	—
5.40% notes due 2016	400	400
5.30% notes due 2017	400	400
5.30% notes due 2018	900	900
5.00% notes due 2019	900	—
Industrial development bond obligations, floating rate maturing at various dates through 2037	47	60
6.625 % debentures due 2028	216	216
9.065% debentures due 2033	51	51
5.70% notes due 2036	550	550
5.70% notes due 2037	600	600
Other (including capitalized leases), 0.62%—15.5%, maturing at various dates through 2017	100	118
	7,264	6,888
Less—current portion	(1,018)	(1,023)
	$ 6,246	$ 5,865

(Dollars in millions, except per share amounts)

The schedule of principal payments on long-term debt is as follows:

	At December 31, 2009
2010	$ 1,018
2011	520
2012	406
2013	605
2014	606
Thereafter	4,109
	7,264
Less—current portion	(1,018)
	$ 6,246

We maintain a $2.8 billion five year committed revolving credit facility with a group of banks, arranged by Citigroup Global Markets Inc. and J.P.Morgan Securities Inc. which is in place through mid-May 2012. This credit facility contains a $700 million sub-limit for the issuance of letters of credit. The $2.8 billion credit facility is maintained for general corporate purposes, including support for the issuance of commercial paper. We had no borrowings outstanding or letters of credit issued under the credit facility at December 31, 2009.

The credit agreement does not restrict our ability to pay dividends and contains no financial covenants. The failure to comply with customary conditions or the occurrence of customary events default contained in the credit agreement would prevent any further borrowings and would generally require the repayment of any outstanding borrowings under the credit agreement. Such events of default include: (a) non-payment of credit agreement debt, interest or fees; (b) non-compliance with the terms of the credit agreement covenants; (c) cross-default to other debt in certain circumstances; (d) bankruptcy; and (e) defaults upon obligations under Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend additional funds or issue letters of credit under the agreement if any person or group acquires beneficial ownership of 30 percent or more of our voting stock, or, during any 12-month period, individuals who were directors of Honeywell at the beginning of the period cease to constitute a majority of the Board of Directors (the Board).

Loans under the credit facility are required to be repaid no later than May 14, 2012. We have agreed to pay a facility fee of 0.05 percent per annum on the aggregate commitment.

Interest on borrowings under the credit facility would be determined, at Honeywell's option, by (a) an auction bidding procedure; (b) the highest of the floating base rate publicly announced by Citibank, N.A., 0.5 percent above the average CD rate, or 0.5 percent above the Federal funds rate; or (c) the Eurocurrency rate plus 0.15 percent (applicable margin).

The facility fee, the applicable margin over the Eurocurrency rate and the letter of credit issuance fee, are subject to change, based upon a grid determined by our long term debt ratings. The credit agreement is not subject to termination based upon a decrease in our debt ratings or a material adverse change.

In February 2009, the Company issued $600 million 3.875% Senior Notes due 2014 and $900 million 5.00% Senior Notes due 2019 (collectively, the "2009 Senior Notes"). The 2009 Senior Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of $1.5 billion, offset by $12 million in discount and issuance costs.

(Dollars in millions, except per share amounts)

In the first quarter of 2009, the Company repaid $493 million of its floating rate notes. In the third quarter of 2009, the Company repaid $500 million of its floating rate notes and $100 million of its zero coupon bonds and money multiplier notes.

Note 15—Lease Commitments

Future minimum lease payments under operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

	At December 31, 2009
2010	$ 313
2011	245
2012	174
2013	125
2014	100
Thereafter	256
	$ 1,213

We have entered into agreements to lease land, equipment and buildings. Principally all our operating leases have initial terms of up to 25 years, and some contain renewal options subject to customary conditions. At any time during the terms of some of our leases, we may at our option purchase the leased assets for amounts that approximate fair value. We do not expect that any of our commitments under the lease agreements will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Rent expense was $371, $383 and $365 million in 2009, 2008 and 2007, respectively.

Note 16—Financial Instruments and Fair Value Measures

Credit and Market Risk—Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest and currency exchange rates and commodity prices. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties in derivative transactions are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest rates, currency exchange rates and commodity prices and restrict the use of derivative financial instruments to hedging activities.

We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of our credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Foreign Currency Risk Management—We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency denominated cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency exchange forward and option contracts with third parties.

(Dollars in millions, except per share amounts)

We hedge monetary assets and liabilities denominated in non-functional currencies. Prior to conversion into U.S. dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other (Income) Expense.

We partially hedge forecasted sales and purchases, which predominantly occur in the next twelve months and are denominated in non-functional currencies, with currency forward contracts. Changes in the forecasted non-functional currency cash flows due to movements in exchange rates are substantially offset by changes in the fair value of the currency forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized.

Open foreign currency exchange forward contracts mature predominantly in the next twelve months. At December 31, 2009 and 2008, we had contracts with notional amounts of $2,959 and $3,030 million, respectively to exchange foreign currencies, principally the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee and Singapore dollar.

Commodity Price Risk Management—Our exposure to market risk for commodity prices can result in changes in our cost of production. We primarily mitigate our exposure to commodity price risk through the use of long-term, fixed-price contracts with our suppliers and formula price agreements with suppliers and customers. We also enter into forward commodity contracts with third parties designated as hedges of anticipated purchases of several commodities. Forward commodity contracts are marked-to-market, with the resulting gains and losses recognized in earnings when the hedged transaction is recognized. At December 31, 2009 and 2008, we had contracts with notional amounts of $52 and $8 million, respectively, related to forward commodity agreements, principally base metals and natural gas.

Interest Rate Risk Management—We use a combination of financial instruments, including long-term, medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At December 31, 2009, interest rate swap agreements designated as fair value hedges effectively changed $600 million of fixed rate debt at a rate of 3.875 percent to LIBOR based floating debt. Our interest rate swaps mature in 2014. At December 31, 2008, we had no interest rate swap agreements.

Fair Value of Financial Instrument—The FASB's accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB's guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
	Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that our financial assets and liabilities are level 2 in the fair value hierarchy. The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2009 and 2008:

(Dollars in millions, except per share amounts)

	December 31, 2009	December 31, 2008
Assets:		
Foreign currency exchange contracts	$ 11	$ 7
Available for sale investments	141	23
Interest rate swap agreements	1	—
Forward commodity contracts	4	—
Liabilities:		
Foreign currency exchange contracts	$ 3	$ 34
Interest rate swap agreements	3	—
Forward commodity contracts	—	4

The foreign currency exchange contracts, interest rate swap agreements, and forward commodity contracts are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2. The Company also holds investments in marketable equity securities that are designated as available for sale and are valued using market transactions in over-the-counter markets. As such, these investments are classified within level 2.

The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value. The following table sets forth the Company's financial assets and liabilities that were not carried at fair value:

	December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Long-term receivables	$ 317	$ 303	$ 517	$ 471
Cost method marketable equity securities	—	—	74	18
Liabilities:				
Long-term debt and related current maturities.	$ 7,262	$ 7,677	$ 6,888	$ 7,082

At December 31, 2009, the Company had assets with a net book value of $72 million, specifically property, plant and equipment and intangible assets, which were accounted for at fair value on a nonrecurring basis. These assets were tested for impairment and based on the fair value of these assets the Company recognized losses of $28 million in 2009. The Company has determined that the fair value measurements of these nonfinancial assets are level 3 in the fair value hierarchy.

The Company holds investments in marketable equity securities that are designated as available for sale securities. The Company considers duration of the unrealized loss position, stability of the liquidity positions and financial conditions of the investees, and the Company's intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, in determining other than temporary impairments. As a result of an other-than-temporary decline in fair value of these investments, the Company recognized an impairment charge of $62 million in the second quarter of 2009 that is included in Other (Income) Expense.

(Dollars in millions, except per share amounts)

The derivatives utilized for risk management purposes as detailed above are included on the Consolidated Balance Sheet and impacted the Statement of Operations as follows:

Fair value of asset derivatives consist of the following:

		December 31,	
Designated as a Hedge	**Balance Sheet Location**	**2009**	**2008**
Foreign currency exchange contracts	Accounts, notes and other receivables	$ 8	$ 2
Interest rate swap agreements	Other assets	1	—
Commodity contracts	Accounts, notes and other receivables	4	—
Not Designated as a Hedge	**Balance Sheet Location**		
Foreign currency exchange contracts	Accounts notes and other receivables	$ 3	$ 5

Fair value of liability derivatives consist of the following:

		December 31,	
Designated as a Hedge	**Balance Sheet Location**	**2009**	**2008**
Foreign currency exchange contracts	Accrued liabilities	$ 1	$ 19
Interest rate swap agreements	Accrued liabilities	3	—
Commodity contracts	Accrued liabilities	—	4
Not Designated as a Hedge	**Balance Sheet Location**		
Foreign currency exchange contracts	Accrued liabilities	$ 3	$ 14

Gains (losses) recognized in OCI consist of the following:

Designated as a Cash Flow Hedge	**December 31, 2009**
Foreign currency exchange contracts	$ 18
Commodity contracts	(1)

Gains (losses) reclassified from AOCI to income (Effective Portions) consist of the following:

Designated as a Cash Flow Hedge	**Income Statement Location**	**December 31, 2009**
Foreign currency exchange contracts	Product sales	$ 54
	Cost of products sold	(44)
	Selling general and administrative	(1)
Commodity contracts	Cost of products sold	(7)

Ineffective portions of commodity derivative instruments designated in cash flow hedge relationships were less than $1 million in 2009 and are located in cost of products sold. Foreign currency exchange contracts in cash flow hedge relationships qualify as critical matched terms hedge relationships and as a result have no ineffectiveness.

Interest rate swap agreements are designated as hedge relationships with gains or (losses) on the derivative recognized in Interest and other financial charges offsetting the gains and losses on the underlying debt being hedged. Losses on interest rate swap agreements recognized in earnings were $2 million in 2009. These losses were fully off-set by gains on the underlying debt being hedged.

We also economically hedge our exposure to changes in foreign exchange rates principally with forward contracts. These contracts are marked-to-market with the resulting gains and losses similarly recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged. For the year ended December 31, 2009, we recognized $85 million of expense in Other (income) expense.

(Dollars in millions, except per share amounts)

Note 17—Other Liabilities

Other liabilities consist of the following:

	December 31, 2009	December 31, 2008
Pension and other employee related	$ 4,842	$ 4,307
Environmental	465	603
Income taxes	476	448
Insurance	207	175
Asset retirement obligations(1)	85	90
Deferred income	106	120
Other	300	289
	$ 6,481	$ 6,032

(1)Asset retirement obligations primarily relate to costs associated with the future retirement of nuclear fuel conversion facilities in our Specialty Materials segment and the future retirement of facilities in our Automation and Control Solutions segment.

A reconciliation of our liability for asset retirement obligations for the year ended December 31, 2009, is as follows:

	2009	2008
Change in asset retirement obligations:		
Balance at beginning of year	$ 90	$ 93
Liabilities settled	(3)	(7)
Adjustments	(5)	2
Accretion expense	3	2
Balance at end of year	$ 85	$ 90

Note 18—Capital Stock

We are authorized to issue up to 2,000,000,000 shares of common stock, with a par value of one dollar. Common shareowners are entitled to receive such dividends as may be declared by the Board, are entitled to one vote per share, and are entitled, in the event of liquidation, to share ratably in all the assets of Honeywell which are available for distribution to the common shareowners. Common shareowners do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There are no restrictions on us relative to dividends or the repurchase or redemption of common stock.

Under the Company's previously reported $3.0 billion share repurchase program, $1.3 billion remained available as of December 31, 2009 for additional share repurchases. The amount and timing of repurchases may vary depending on market conditions and the level of operating and other investing activities.

We are authorized to issue up to 40,000,000 shares of preferred stock, without par value, and can determine the number of shares of each series, and the rights, preferences and limitations of each series. At December 31, 2009, there was no preferred stock outstanding.

(Dollars in millions, except per share amounts)

Note 19—Accumulated Other Comprehensive Income (Loss)

Total accumulated other comprehensive income (loss) is included in the Consolidated Statement of Shareowners' Equity. Comprehensive Income (Loss) attributable to non-controlling interest consisted predominantly of net income. The changes in Accumulated Other Comprehensive Income (Loss) are as follows:

	Pretax	Tax	After Tax
Year Ended December 31, 2009			
Foreign exchange translation adjustment	$ 259		$ 259
Pensions and other post retirement benefit adjustments	(1,573)	$ 552	(1,021)
Changes in fair value of available for sale investments(1)	112		112
Changes in fair value of effective cash flow hedges	38	(8)	30
	$ (1,164)	$ 544	$ (620)
Year Ended December 31, 2008			
Foreign exchange translation adjustment	$ (614)		$ (614)
Pensions and other post retirement benefit adjustments	(4,159)	$ 1,583	(2,576)
Changes in fair value of available for sale investments	(51)		(51)
Changes in fair value of effective cash flow hedges	(40)	16	(24)
	$ (4,864)	$ 1,599	$ (3,265)
Year Ended December 31, 2007			
Foreign exchange translation adjustment	$ 248		$ 248
Pensions and other post retirement benefit adjustments	803	$ (285)	518
Changes in fair value of effective cash flow hedges	(5)	2	(3)
	$ 1,046	$ (283)	$ 763

(1)includes reclassification adjustment for losses included in net income

Components of Accumulated Other Comprehensive Income (Loss)

	December 31, 2009	December 31, 2008
Cumulative foreign exchange translation adjustment	$ 468	$ 209
Pensions and other post retirement benefit adjustments	(4,966)	(3,945)
Change in fair value of available for sale investments	61	(51)
Change in fair value of effective cash flow hedges	8	(22)
	$ (4,429)	$ (3,809)

Note 20—Stock-Based Compensation Plans

We have stock-based compensation plans available to grant non-qualified stock options, incentive stock options, stock appreciation rights, restricted units and restricted stock to key employees. Under the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the Plan), a maximum of 43 million shares of Honeywell common stock may be awarded. Additionally, under the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the Directors Plan) 500,000 shares of Honeywell common stock may be awarded.

Stock Options—The exercise price, term and other conditions applicable to each option granted under our stock plans are generally determined by the Management Development and Compensation Committee of the Board. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share of our stock on that date. The fair value is recognized as an expense over the employee's requisite service period (generally the vesting period of the award). Options generally vest over a four-year period and expire after ten years.

(Dollars in millions, except per share amounts)

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from traded options on Honeywell common stock. We used a Monte Carlo simulation model to derive an expected term. Such model uses historical data to estimate option exercise activity and post-vest termination behavior. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant.

Compensation cost on a pre-tax basis related to stock options recognized in operating results (included in selling, general and administrative expenses) in 2009, 2008 and 2007 was $39, $51 and $65 million, respectively. The associated future income tax benefit recognized in 2009, 2008 and 2007 was $13, $19 and $25 million, respectively.

The following table sets forth fair value per share information, including related weighted-average assumptions, used to determine compensation cost:

	Years Ended December 31,		
	2009	2008	2007
Weighted average fair value per share of options granted during the year(1)	$ 6.73	$ 13.81	$ 10.27
Assumptions:			
Expected annual dividend yield	4.26%	1.88%	2.09%
Expected volatility	35.78%	26.35%	20.18%
Risk-free rate of return	2.53%	3.09%	4.66%
Expected option term (years)	5.8	5.2	5.3

(1)Estimated on date of grant using Black-Scholes option-pricing model.

The following table summarizes information about stock option activity for the three years ended December 31, 2009:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2006	54,232,677	$ 39.98
Granted	5,963,500	47.59
Exercised	(16,037,530)	36.95
Lapsed or canceled	(2,761,278)	45.74
Outstanding at December 31, 2007	41,397,369	41.88
Granted	5,024,820	58.46
Exercised	(3,577,707)	37.40
Lapsed or canceled	(1,910,960)	49.16
Outstanding at December 31, 2008	40,933,522	43.97
Granted	9,159,650	28.40
Exercised	(645,201)	31.66
Lapsed or canceled	(8,537,598)	53.90

Outstanding at December 31, 2009	40,910,373	$ 38.58
Vested and expected to vest at December 31, 2009(1)	38,189,089	$ 38.82
Exercisable at December 31, 2009	27,427,023	$ 38.85

(1)The expected to vest options are the result of applying the pre-vesting forfeiture rate assumption to total outstanding options.

(Dollars in millions, except per share amounts)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2009:

	Options Outstanding				Options Exercisable		
Range of exercise prices	Number Outstanding	Weighted Average Life(1)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Ag In
$21.75—$32.99	10,926,098	7.76	$ 27.46	$ 128	2,535,198	$ 24.34	$
$33.00—$39.99	13,638,879	3.62	35.77	47	13,638,879	35.77	
$40.00—$49.99	11,834,401	5.94	44.61	—	9,812,601	44.07	
$50.00—$74.95	4,510,995	8.02	58.18	—	1,440,345	57.90	
	40,910,373	5.89	38.58	$ 175	27,427,023	38.85	$

(1)Average remaining contractual life in years.

There were 30,314,667 and 28,624,279 options exercisable at weighted average exercise prices of $41.40 and $41.14 at December 31, 2008 and 2007, respectively. There were 30,000,541 shares available for future grants under the terms of our stock option plans at December 31, 2009.

The total intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during 2009, 2008 and 2007 was $4, $76 and $281 million, respectively. During 2009, 2008 and 2007, the amount of cash received from the exercise of stock options was $20, $134 and $592 million, respectively, with an associated tax benefit realized of $1, $28 and $101 million, respectively. In 2009, 2008 and 2007 we classified $1, $21 and $86 million, respectively, of this benefit as a financing cash inflow in the Consolidated Statement of Cash Flows, and the balance was classified as cash from operations.

At December 31, 2009, there was $82 million of total unrecognized compensation cost related to non-vested stock option awards which is expected to be recognized over a weighted-average period of 2.49 years. The total fair value of options vested during 2009, 2008 and 2007 was $51, $63 and $83 million, respectively.

(Dollars in millions, except per share amounts)

Restricted Stock Units—Restricted stock unit (RSU) awards entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain key employees at fair market value at the date of grant as compensation. RSUs typically become fully vested over periods ranging from three to seven years and are payable in Honeywell common stock upon vesting.

The following table summarizes information about RSU activity for the three years ended December 31, 2009:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Non-vested at December 31, 2006	4,751,999	$ 35.85
Granted	1,980,850	54.47
Vested	(372,105)	32.48
Forfeited	(503,747)	37.93
Non-vested at December 31, 2007	5,856,997	42.18
Granted	2,087,934	54.56
Vested	(694,660)	35.82
Forfeited	(424,554)	41.94
Non-vested at December 31, 2008	6,825,717	46.63
Granted	3,691,129	30.16
Vested	(1,313,975)	40.44
Forfeited	(940,094)	44.51
Non-vested at December 31, 2009	8,262,777	$ 40.49

As of December 31, 2009, there was approximately $167 million of total unrecognized compensation cost related to non-vested RSUs granted under our stock plans which is expected to be recognized over a weighted-average period of 1.8 years. Compensation expense related to RSUs was $79, $77 and $47 million in 2009, 2008 and 2007, respectively.

Non-Employee Directors' Plan—Under the Directors' Plan each new director receives a one-time grant of 3,000 restricted stock units that will vest on the fifth anniversary of continuous Board service.

The Directors' Plan also provides for an annual grant to each director of options to purchase 5,000 shares of common stock at the fair market value on the date of grant. Options generally become exercisable over a four-year period and expire after ten years.

Note 21—Commitments and Contingencies

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

(Dollars in millions, except per share amounts)

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is our policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of remedial investigations and feasibility studies, the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties. The following table summarizes information concerning our recorded liabilities for environmental costs:

	Years Ended December 31,		
	2009	2008	2007
Beginning of year	$ 946	$ 799	$ 831
Accruals for environmental matters deemed probable and reasonably estimable	151	466	230
Environmental liability payments	(318)	(320)	(267)
Other adjustments	—	1	5
End of year	$ 779	$ 946	$ 799

See Note 3, Repositioning and Other Charges, for more detail regarding accruals for environmental matters during 2009.

Environmental liabilities are included in the following balance sheet accounts:

	December 31, 2009	December 31, 2008
Accrued liabilities	$ 314	$ 343
Other liabilities	465	603
	$ 779	$ 946

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that these environmental matters will have a material adverse effect on our consolidated financial position.

New Jersey Chrome Sites—The excavation and offsite disposal of approximately one million tons of chromium residue present at a predecessor Honeywell site located in Jersey City, New Jersey, known as Study Area 7 was completed in January 2010. We have also received approval of the United States District Court for the District of New Jersey for the implementation of related groundwater and sediment remedial actions, and are seeking the appropriate permits from state and federal agencies. Provisions have been made in our financial statements for the estimated cost of these remedies.

The above-referenced site is the most significant of the twenty-one sites located in Hudson County, New Jersey that are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993 (the "Honeywell ACO Sites"). Remedial investigations and activities consistent with the ACO have also been conducted and are underway at the other Honeywell ACO Sites. We have recorded reserves for the Honeywell ACO Sites where appropriate under the accounting policy described above.

On May 3, 2005, NJDEP filed a lawsuit in New Jersey Superior Court against Honeywell and two other companies seeking declaratory and injunctive relief, unspecified damages, and the reimbursement of unspecified total costs relating to sites in New Jersey allegedly contaminated with chrome ore processing residue. The claims against Honeywell relate to the activities of a predecessor company which ceased its New Jersey manufacturing operations in the mid-1950's. Honeywell and the two other companies have agreed to settle this litigation with NJDEP, subject to Court approval. Under the settlement, Honeywell would pay $5 million of NJDEP's past costs, as well as accept sole responsibility to remediate 24 of the 53 "Publicly Funded Sites" (i.e., those sites for which none of the three companies had previously accepted responsibility). Honeywell would also bear 50% of the costs at another 10 Publicly Funded Sites. We have recorded reserves for the Publicly Funded Sites where appropriate under the accounting policy described above.

We have entered into court-approved settlements of litigation filed in federal court against Honeywell and other landowners seeking the cleanup of chrome residue at groups of properties known as Study Areas 5, 6 South and 6 North of the Honeywell ACO Sites. The required remedial actions are consistent with our recorded reserves.

Dundalk Marine Terminal, Baltimore—Chrome residue from legacy chrome plant operations in Baltimore was deposited as fill at the Dundalk Marine Terminal ("DMT"), which is owned and operated by the Maryland Port Administration ("MPA"). Honeywell and the MPA have been sharing costs to investigate and mitigate related environmental issues, and have entered into a cost sharing agreement under which Honeywell will bear 77 percent of the costs of developing and implementing permanent remedies for the DMT facility. The investigative phase is ongoing, after which the appropriate remedies will be identified and chosen. We have negotiated a Consent Decree with the MPA and Maryland Department of the Environment ("MDE") with respect to the investigation and remediation of the DMT facility. The Consent Decree is being challenged in federal court by BUILD, a Baltimore community group, together with a local church and two individuals (collectively "BUILD"). In October 2007, the Court dismissed with prejudice BUILD's state law claims and dismissed without prejudice BUILD's RCRA claims regarding neighborhoods near the DMT facility. In August 2008, the Court held a hearing on the Company's motion to dismiss BUILD's remaining claims on the grounds that MDE is diligently prosecuting the investigation and remediation of the DMT. We are awaiting the Court's decision. We do not believe that this matter will have a material adverse impact on our consolidated financial position or operating cash flows. Given the scope and complexity of this project, it is possible that the cost of remediation, when determinable, could have a material adverse impact on our results of operations in the periods recognized.

Onondaga Lake, Syracuse, NY—We are implementing a combined dredging/capping remedy of Onondaga Lake pursuant to a consent decree approved by the United States District Court for the Northern District of New York in January 2007. We have accrued for our estimated cost of remediating Onondaga Lake based on currently available information and analysis performed by our engineering consultants. Honeywell is also conducting remedial investigations and activities at other sites in Syracuse. We have recorded reserves for these investigations and activities where appropriate under the accounting policy described above.

Honeywell has entered into a cooperative agreement with potential natural resource trustees to assess alleged natural resource damages relating to this site. It is not possible to predict the outcome or duration of this assessment, or the amounts of, or responsibility for, any damages.

Asbestos Matters

Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Products containing asbestos previously manufactured by Honeywell or by previously owned subsidiaries primarily fall into two general categories: refractory products and friction products.

Refractory Products—Honeywell owned North American Refractories Company (NARCO) from 1979 to 1986. NARCO produced refractory products (high temperature bricks and cement) that were sold largely to the steel industry in the East and Midwest. Less than 2 percent of NARCO'S products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. On January 4, 2002, NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, the bankruptcy court enjoined both the filing and prosecution of NARCO-related asbestos claims against Honeywell. The stay has remained in effect continuously since January 4, 2002. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company $40 million and agreed to provide NARCO with up to $20 million in financing. We also agreed to pay $20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell (which amount was paid in December 2005 following the filing of NARCO's Third Amended Plan of Reorganization), and to pay NARCO's parent company $40 million, and to forgive any outstanding NARCO indebtedness to Honeywell, upon the effective date of the plan of reorganization.

We believe that, as part of the NARCO plan of reorganization, a trust will be established for the benefit of all asbestos claimants, current and future, pursuant to Trust Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the Court-appointed legal representative for future asbestos claimants. If the trust is put in place and approved by the Court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. Honeywell has reached agreement with the representative for future NARCO claimants and the Asbestos Claimants Committee to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows.

In November 2007, the Bankruptcy Court entered an amended order confirming the NARCO Plan without modification and approving the 524(g) trust and channeling injunction in favor of NARCO and Honeywell. In December 2007, certain insurers filed an appeal of the Bankruptcy Court Order in the United States District Court for the Western District of Pennsylvania. The District Court affirmed the Bankruptcy Court Order in July 2008. In August 2008, insurers filed a notice of appeal to the Third Circuit Court of Appeals. The appeal is fully briefed, oral argument took place on May 21, 2009, and the matter has been submitted for decision. We expect that the stay enjoining litigation against NARCO and Honeywell will remain in effect during the pendency of these proceedings.

Our consolidated financial statements reflect an estimated liability for settlement of pending and future NARCO-related asbestos claims as of December 31, 2009 and 2008 of $1.1 billion. The estimated liability for pending claims is based on terms and conditions, including evidentiary requirements, in definitive agreements with approximately 260,000 current claimants, and an estimate of the unsettled claims pending as of the time NARCO filed for bankruptcy protection. Substantially all settlement payments with respect to current claims have been made. Approximately $100 million of payments due pursuant to these settlements is due only upon establishment of the NARCO trust.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against NARCO through 2018 and the aforementioned obligations to NARCO's parent. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018. The estimate is based upon the disease criteria and payment values contained in the NARCO Trust Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the NARCO future claimants' representative. Honeywell projected the probable number and value, including trust claim handling costs, of asbestos related future liabilities based upon experience of asbestos claims filing rates in the tort system and in certain operating asbestos trusts, and the claims experience in those forums. The valuation methodology also includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history, the pending inventory of NARCO asbestos related claims and payment rates expected to be established by the NARCO trust. This methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and resulted in a range of estimated liability for future claims of $743 to $961 million. We believe that no amount within this range is a better estimate than any other amount and accordingly, we have recorded the minimum amount in the range.

As of December 31, 2009 and 2008, our consolidated financial statements reflect an insurance receivable corresponding to the liability for settlement of pending and future NARCO-related asbestos claims of $831 and $877 million, respectively. This coverage reimburses Honeywell for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At December 31, 2009, a significant portion of this coverage is with insurance companies with whom we have agreements to pay full policy limits based on corresponding Honeywell claims costs. We conduct analyses to determine the amount of insurance that we estimate is probable of recovery in relation to payment of current and estimated future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs.

In the second quarter of 2006, Travelers Casualty and Insurance Company ("Travelers") filed a lawsuit against Honeywell and other insurance carriers in the Supreme Court of New York, County of New York, disputing obligations for NARCO-related asbestos claims under high excess insurance coverage issued by Travelers and other insurance carriers. Approximately $300 million of coverage under these policies is included in our NARCO-related insurance receivable at December 31, 2009. Honeywell believes it is entitled to the coverage at issue and expects to prevail in this matter. In the third quarter of 2007, Honeywell prevailed on a critical choice of law issue concerning the appropriate method of allocating NARCO-related asbestos liabilities to triggered policies. The plaintiffs appealed and the trial court's ruling was upheld by the intermediate appellate court in the second quarter of 2009. Plaintiffs' further appeal to the New York Appellate Division, the highest court in New York, was denied in October 2009. A related New Jersey action brought by Honeywell has been dismissed, but all coverage claims against plaintiffs have been preserved in the New York action. Based upon (i) our understanding of relevant facts and applicable law, (ii) the terms of insurance policies at issue, (iii) our experience on matters of this nature, and (iv) the advice of counsel, we believe that the amount due from Travelers and other insurance carriers is probable of recovery. While Honeywell expects to prevail in this matter, an adverse outcome could have a material impact on our results of operations in the period recognized but would not be material to our consolidated financial position or operating cash flows.

(Dollars in millions, except per share amounts)

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities or assets to be higher or lower than those projected and recorded. There is no assurance that the plan of reorganization will become final, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we review our estimates periodically, and update them based on our experience and other relevant factors. Similarly we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

Friction Products—Honeywell's Bendix friction materials (Bendix) business manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. Existing and potential claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements.

From 1981 through December 31, 2009, we have resolved approximately 152,000 Bendix related asbestos claims. We had 129 trials resulting in favorable verdicts and 17 trials resulting in adverse verdicts. Four of these adverse verdicts were reversed on appeal, five verdicts were vacated on post-trial motions, three claims were settled and the remaining five have been or will be appealed. The claims portfolio was reduced in 2009 due to settlements, dismissals and the elimination of significantly aged (i.e., pending for more than six years), inactive (including claims for which the required medical and exposure showings have not been made) and duplicate claims. The following tables present information regarding Bendix related asbestos claims activity:

	Years Ended December 31,	
Claims Activity	**2009**	**2008**
Claims Unresolved at the beginning of year	51,951	51,658
Claims Filed	2,697	4,003
Claims Resolved	(34,708)	(3,710)
Claims Unresolved at the end of year	19,940	51,951

	December 31,	
Disease Distribution of Unresolved Claims	**2009**	**2008**
Mesothelioma and Other Cancer Claims	4,727	5,575
Other Claims	15,213	46,376
Total Claims	19,940	51,951

Honeywell has experienced average resolution values per claim excluding legal costs as follows:

	Years Ended December 31,			
	2009	**2008**	**2007**	**2006**
	(in whole dollars)			
Malignant claims	$ 50,000	$ 65,000	$ 33,000	$ 33,000
Nonmalignant claims	$ 200	$ 1,500	$ 500	$ 250

It is not possible to predict whether resolution values for Bendix related asbestos claims will increase, decrease or stabilize in the future.

Our consolidated financial statements reflect an estimated liability for resolution of pending and future Bendix related asbestos claims of $566 and $578 million at December 31, 2009 and 2008, respectively. Our liability for the estimated cost of future Bendix related asbestos claims is based on historic claims filing experience, disease classifications, expected resolution values, and historic dismissal rates. In the fourth quarter of each year we update our analysis of the estimated cost of future Bendix related asbestos claims. We have valued Bendix pending and future claims using average resolution values for the previous four years (extended from three years). Changes in the tort system which began in 2006 refocused asbestos litigation on mesothelioma cases, making the four year period 2006 through 2009 representative for forecasting purposes. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against Bendix over the next five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years. The estimate is based upon Bendix historical experience in the tort system for the four years ended December 31, 2009 with respect to claims filing and resolution values. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts. It is similar to that used to estimate the future NARCO related asbestos claims liability.

Honeywell currently has approximately $1.9 billion of insurance coverage remaining with respect to pending and potential future Bendix related asbestos claims, of which $172 and $156 million are reflected as receivables in our consolidated balance sheet at December 31, 2009 and 2008, respectively. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Insurance receivables are recorded in the financial statements simultaneous with the recording of the liability for the estimated value of the underlying asbestos claims. The amount of the insurance receivable recorded is based on our ongoing analysis of the insurance that we estimate is probable of recovery. This determination is based on our analysis of the underlying insurance policies, our historical experience with our insurers, our ongoing review of the solvency of our insurers, our interpretation of judicial determinations relevant to our insurance programs, and our consideration of the impacts of any settlements reached with our insurers. Insurance receivables are also recorded when structured insurance settlements provide for future fixed payment streams that are not contingent upon future claims or other events. Such amounts are recorded at the net present value of the fixed payment stream.

On a cumulative historical basis, Honeywell has recorded insurance receivables equal to approximately 45 percent of the value of the underlying asbestos claims recorded. However, because there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods, and insurance settlements, this rate is expected to decline for any future Bendix related asbestos liabilities that may be recorded. Future recoverability rates may also be impacted by numerous other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict. Assuming continued defense and indemnity spending at current levels, we estimate that the cumulative recoverability rate could decline over the next five years to approximately 35 percent.

Honeywell believes it has sufficient insurance coverage and reserves to cover all pending Bendix related asbestos claims and Bendix related asbestos claims estimated to be filed within the next five years. Although it is impossible to predict the outcome of either pending or future Bendix related asbestos claims, we do not believe that such claims would have a material adverse effect on our consolidated financial position in light of our insurance coverage and our prior experience in resolving such claims. If the rate and types of claims filed, the average resolution value of such claims and the period of time over which claim settlements are paid (collectively, the "Variable Claims Factors") do not substantially change, Honeywell would not expect future Bendix related asbestos claims to have a material adverse effect on our results of operations or operating cash flows in any fiscal year. No assurances can be given, however, that the Variable Claims Factors will not change.

(Dollars in millions, except per share amounts)

Refractory and Friction Products—The following tables summarize information concerning NARCO and Bendix asbestos related balances:

Asbestos Related Liabilities

	Year Ended December 31, 2009			Year Ended December 31, 2008			Year Ended Deceml	
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO
Beginning of year	$ 578	$ 1,131	$ 1,709	$ 517	$ 1,138	$ 1,655	$ 528	$ 1,291
Accrual for pending claims and defense costs incurred	127	5	132	153	—	153	122	—
Change in estimated cost of future claims	11	—	11	43	—	43	(8)	—
Asbestos related liability payments	(148)	(8)	(156)	(140)	(7)	(147)	(115)	(153)
Update of expected resolution values for pending claims	(2)	—	(2)	5	—	5	(10)	—
End of year	$ 566	$ 1,128	$ 1,694	$ 578	$ 1,131	$ 1,709	$ 517	$ 1,138

Insurance Recoveries for Asbestos Related Liabilities

	Year Ended December 31, 2009			Year Ended December 31, 2008			Year Ended December 31		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	
Beginning of year	$ 156	$ 877	$ 1,033	$ 197	$ 939	$ 1,136	$ 302	$ 955	$
Probable insurance recoveries related to pending claims and change in estimated cost of future claims	24	—	24	40	—	40	2	—	
Insurance receipts for asbestos related liabilities	(8)	(8)	(16)	(116)	(62)	(178)	(107)	(16)	
Insurance receivables settlements and write-offs	—	(38)	(38)	36	—	36	—	—	
Other	—	—	—	(1)	—	(1)	—	—	—
End of year	$ 172	$ 831	$ 1,003	$ 156	$ 877	$ 1,033	$ 197	$ 939	$

(Dollars in millions, except per share amounts)

NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	December 31,	
	2009	2008
Other current assets	$ 62	$ 4
Insurance recoveries for asbestos related liabilities	941	1,029
	$ 1,003	$ 1,033
Accrued liabilities	$ 654	$ 171
Asbestos related liabilities	1,040	1,538
	$ 1,694	$ 1,709

Other Matters

We are subject to a number of other lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property, and health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these other matters are the following:

Allen, et al. v. Honeywell Retirement Earnings Plan—Pursuant to a settlement approved by the U.S. District Court for the District of Arizona in February 2008, 18 of 21 claims alleged by plaintiffs in this class action lawsuit were dismissed with prejudice in exchange for approximately $35 million and the maximum aggregate liability for the remaining three claims (alleging that Honeywell impermissibly reduced the pension benefits of certain employees of a predecessor entity when the plan was amended in 1983 and failed to calculate benefits in accordance with the terms of the plan) was capped at $500 million. Any amounts payable, including the settlement amount, have or will be paid from the Company's pension plan. In October 2009, the Court granted summary judgment in favor of the Honeywell Retirement Earnings Plan with respect to the claim regarding the calculation of benefits. We continue to expect to prevail on the remaining claims in light of applicable law and our substantial affirmative defenses, which have not yet been considered fully by the Court. Accordingly, we do not believe that a liability is probable of occurrence and reasonably estimable with respect to these claims and we have not recorded a provision for the remaining claims in our financial statements.

Quick Lube—On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that twelve filter manufacturers, including Honeywell, engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket automotive filters. This suit is a purported class action on behalf of direct purchasers of filters from the defendants. Parallel purported class actions, including on behalf of indirect purchasers of filters, have been filed by other plaintiffs in a variety of jurisdictions in the United States and Canada. The U.S cases have been consolidated into a single multi-district litigation in the Northern District of Illinois. We intend to vigorously defend the claims raised in these actions. The Antitrust Division of the Department of Justice notified Honeywell on January 21, 2010 that it has officially closed its investigation into possible collusion in the replacement auto filters industry.

Given the uncertainty inherent in litigation and investigations (including the specific matters referenced above), we do not believe it is possible to develop estimates of reasonably possible loss in excess of current accruals for these matters. Considering our past experience and existing accruals, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our consolidated financial position. Because most contingencies are resolved over long periods of time, potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements, which could cause us to pay damage awards or settlements (or become subject to equitable remedies) that could have a material adverse effect on our results of operations or operating cash flows in the periods recognized or paid.

(Dollars in millions, except per share amounts)

Warranties and Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2009:

	Maximum Potential Future Payments
Operating lease residual values	$ 35
Other third parties' financing	4
Unconsolidated affiliates' financing	30
Customer financing	16
	$ 85

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

In the normal course of business we issue product warranties and product performance guarantees. We accrue for the estimated cost of product warranties and performance guarantees based on contract terms and historical experience at the time of sale. Adjustments to initial obligations for warranties and guarantees are made as changes in the obligations become reasonably estimable. The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees:

	Years Ended December 31,		
	2009	2008	2007
Beginning of year	$ 417	$ 396	$ 363
Accruals for warranties/guarantees issued during the year	188	242	233
Adjustment of pre-existing warranties/guarantees	(7)	(34)	3
Settlement of warranty/guarantee claims	(191)	(187)	(203)
End of year	$ 407	$ 417	$ 396

Product warranties and product performance guarantees are included in the following balance sheet accounts:

	2009	2008
Accrued liabilities	$ 382	$ 385
Other liabilities	25	32
	$ 407	$ 417

Note 22—Pension and Other Postretirement Benefits

We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. Pension benefits for substantially all U.S. employees are provided through non-contributory, qualified and non-qualified defined benefit pension plans. U.S. defined benefit pension plans comprise 76 percent of our projected benefit obligation. Non-U.S. employees, who are not U.S. citizens, are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes. Non-U.S. defined benefit pension plans comprise 24 percent of our projected benefit obligation.

We also sponsor postretirement benefit plans that provide health care benefits and life insurance coverage to eligible retirees. Our retiree medical plans mainly cover U.S. employees who retire with pension eligibility for hospital, professional and other medical services. All non-union hourly and salaried employees joining Honeywell after January 1, 2000 are not eligible to participate in our retiree medical and life insurance plans. Most of the U.S. retiree medical plans require deductibles and copayments, and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. Honeywell has limited its subsidy of its retiree medical plans to a fixed-dollar amount for all future retirees and for more than half of its current retirees. This cap of retiree medical benefits under our plans limits our exposure to the impact of future health care cost increases. The retiree medical and life insurance plans are not funded. Claims and expenses are paid from our operating cash flow.

On May 1, 2009, Honeywell amended the U.S. retiree medical plan eliminating the subsidy for non-union employees who retire after September 1, 2009. Employees already retired or who retired on or before September 1, 2009 were not affected by this change. This plan amendment reduced the accumulated postretirement benefit obligation by $180 million representing the elimination of benefits attributable to years of service already rendered by active non-union employees who are not eligible to retire and those eligible non-union employees who are assumed not to retire prior to September 1, 2009. This reduction in the accumulated postretirement benefit obligation will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy. This plan amendment also resulted in a curtailment gain of $98 million in the second quarter of 2009 which was included as part of net periodic postretirement benefit cost. The curtailment gain represents the recognition of previously unrecognized prior service credits attributable to the future years of service of the employee group for which future accrual of benefits has been eliminated.

(Dollars in millions, except per share amounts)

The following tables summarize the balance sheet impact, including the benefit obligations, assets and funded status associated with our significant pension and other postretirement benefit plans at December 31, 2009 and 2008.

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 15,046	$ 16,770	$ 1,960	$ 2,192
Service cost	224	255	6	13
Interest cost	993	1,009	104	122
Plan amendments	2	27	(180)	(67)
Actuarial (gains) losses	2,495	(1,186)	47	(131)
Acquisitions	—	67	—	3
Benefits paid	(1,111)	(1,140)	(189)	(172)
Settlements and curtailments	(5)	—	—	—
Other	242	(756)	—	—
Benefit obligation at end of year	17,886	15,046	1,748	1,960
Change in plan assets:				
Fair value of plan assets at beginning of year	11,520	17,194	—	—
Actual return on plan assets	2,111	(4,290)	—	—
Company contributions	1,059	387	—	—
Acquisitions	—	53	—	—
Benefits paid	(1,111)	(1,140)	—	—
Other	186	(684)	—	—
Fair value of plan assets at end of year	13,765	11,520	—	—
Funded status of plans	$ (4,121)	$ (3,526)	$ (1,748)	$ (1,960)
Amounts recognized in Consolidated Balance Sheet consist of:				
Prepaid pension benefit cost(1)	$ 58	$ 62	$ —	$ —
Accrued liabilities	—	—	(197)	(197)
Postretirement benefit obligations other than pensions(2)	—	—	(1,551)	(1,763)
Accrued pension liability(3)	(4,179)	(3,588)	—	—
Net amount recognized	$ (4,121)	$ (3,526)	$ (1,748)	$ (1,960)

(1)Included in Other Assets on Consolidated Balance Sheet

(2)Excludes Non-U.S. plans of $43 and $36 million in 2009 and 2008, respectively.

(3)Included in Other Liabilities—Non-Current on Consolidated Balance Sheet.

(Dollars in millions, except per share amounts)

Amounts recognized in Accumulated Other Comprehensive (Income) Loss associated with our significant pension and other postretirement benefit plans at December 31, 2009 and 2008 are as follows.

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Transition obligation	$ 11	$ 11	$ —	$ —
Prior service cost (credit)	73	97	(179)	(140)
Actuarial losses	7,566	5,958	299	265
Net amount recognized	$ 7,650	$ 6,066	$ 120	$ 125

The components of net periodic benefit cost and other amounts recognized in other comprehensive (income) loss for our significant plans include the following components:

	Pension Benefits			Other Postretirement Benefits		
	Years Ended December 31,			Years Ended December 31,		
Net Periodic Benefit Cost	2009	2008	2007	2009	2008	2007
Service cost	$ 224	$ 255	$ 264	$ 6	$ 13	$ 15
Interest cost	993	1,009	960	104	122	128
Expected return on plan assets	(1,322)	(1,404)	(1,347)	—	—	—
Amortization of transition obligation	1	1	—	—	—	—
Amortization of prior service cost (credit)	25	29	26	(44)	(43)	(37)
Recognition of actuarial losses	161	47	210	13	33	46
Settlements and curtailments	—	18	35	(98)	—	—
Net periodic benefit cost	$ 82	$ (45)	$ 148	$ (19)	$ 125	$ 152

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Income) Loss	2009	2008	2007	2009	2008	2007
Actuarial (gains) losses	$ 1,708	$ 4,499	$ (581)	$ 47	$ (131)	$ (11)
Prior service cost (credit)	2	27	22	(180)	(67)	(7)
Transition obligation recognized during year	(1)	(1)	—	—	—	—
Prior service (cost) credit recognized during year	(25)	(30)	(26)	141	43	37
Actuarial losses recognized during year	(161)	(63)	(210)	(13)	(33)	(46)
Foreign exchange translation adjustments	61	(147)	19	—	—	—
Total recognized in other comprehensive (income) loss	$ 1,584	$ 4,285	$ (776)	$ (5)	$ (188)	$ (27)
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$ 1,666	$ 4,240	$ (628)	$ (24)	$ (63)	$ 125

The estimated net loss and prior service cost for pension benefits that will be amortized from accumulated other comprehensive (income) loss into net periodic benefit cost in 2010 are expected to be $706 and $20 million, respectively. The estimated net loss and prior service (credit) for other postretirement benefits that will be amortized from accumulated other comprehensive (income) loss into net periodic benefit cost in 2010 are expected to be $21 and $(41) million, respectively.

(Dollars in millions, except per share amounts)

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit cost for our U.S. benefit plans are presented in the following table. For non-U.S. benefit plans, none of which was individually material, assumptions reflect economic assumptions applicable to each country.

	Pension Benefits			Other Postretirement Benefi	
	2009	2008	2007	2009	2008
Actuarial assumptions used to determine benefit obligations as of December 31:					
Discount rate	5.75%	6.95%	6.50%	5.25%	6.00%
Expected annual rate of compensation increase	4.50%	4.50%	4.50%	—	—
Actuarial assumptions used to determine net periodic benefit cost for years ended December 31:					
Discount rate	6.95%	6.50%	6.00%	6.00%	5.90%
Expected rate of return on plan assets	9.00%	9.00%	9.00%	—	—
Expected annual rate of compensation increase	4.50%	4.50%	4.00%	—	—

To select a discount rate for our retirement benefit plans, we use a modeling process that involves matching the expected cash outflows of our benefit plans to a yield curve constructed from a portfolio of double A rated fixed-income debt instruments. We use the average yield of this hypothetical portfolio as a discount rate benchmark. The discount rate used to determine the other postretirement benefit obligation is lower principally due to a shorter expected duration of other postretirement plan obligations as compared to pension plan obligations.

Our expected rate of return on plan assets of 9 percent is a long-term rate based on historic plan asset returns over varying long-term periods combined with current market conditions and broad asset mix considerations. The expected rate of return is a long-term assumption and generally does not change annually.

Pension Benefits

Included in the aggregate data in the tables above are the amounts applicable to our pension plans with accumulated benefit obligations exceeding the fair value of plan assets. Amounts related to such plans were as follows:

	December 31,	
	2009	2008
Projected benefit obligations	$ 17,159	$ 14,713
Accumulated benefit obligations	$ 16,102	$ 14,012
Fair value of plan assets	$ 12,999	$ 11,125

The accumulated benefit obligation for our defined benefit pension plans was $16.8 and $14.3 billion at December 31, 2009 and 2008, respectively.

Our asset investment strategy focuses on maintaining a diversified portfolio using various asset classes in order to achieve our long-term investment objectives on a risk adjusted basis. Our actual invested positions in various securities change over time based on short and longer-term investment opportunities. To achieve our objectives, we have established long-term target allocations as follows: 60-70 percent equity securities, 10-20 percent fixed income securities and cash, 5-15 percent real estate investments, and 10-20 percent other types of investments. Equity securities include publicly-traded stock of companies located both inside and outside the United States. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Real estate investments include direct investments in commercial properties and investments in real estate funds. Other types of investments include investments in private equity and hedge funds that follow several different strategies. Our non-U.S. investment policies are different for each country, but the long-term investment objectives remain the same.

(Dollars in millions, except per share amounts)

Our U.S. pension plans assets were $10.3 and $8.7 billion and our non-U.S. pension plans assets were $3.5 and $2.8 billion at December 31, 2009 and 2008, respectively. The fair values of our pension plans assets at December 31, 2009 by asset category are as follows:

	Total	Level 1	Level 2	Level 3
Equity securities:				
U.S. companies	$ 5,181	$ 5,099	$ 82	$ —
Non-U.S. companies	3,324	2,269	1,055	—
Fixed income securities:				
Short-term investments	439	439	—	—
Government securities	955	258	697	—
Corporate securities	1,281	—	1,281	—
Mortgage/Asset-Backed securities	357	—	357	—
Insurance contracts	216	—	216	—
Real estate investments	786	48	—	738
Other	1,226	—	—	1,226
	$ 13,765	$ 8,113	$ 3,688	$ 1,964

The following table summarizes changes in the fair value of Level 3 assets for the year ended December 31, 2009:

	Real estate investments	Other
Balance at December 31, 2008	$ 1,001	$ 1,161
Actual return on plan assets:		
Relating to assets still held at year-end	(331)	(46)
Relating to assets sold during the year	(4)	7
Purchases, sales and settlements	72	104
Balance at December 31, 2009	$ 738	$ 1,226

Our general funding policy for qualified pension plans is to contribute amounts at least sufficient to satisfy regulatory funding standards. In 2009, 2008 and 2007, we made voluntary contributions of $740, $242 and $42 million, respectively, to our U.S. defined benefit pension plans primarily to improve the funded status of our plans. At December 31, 2009 and 2008, the fair value of our pension plans assets invested in Honeywell common stock was $1.1 billion and $204 million, respectively. During 2010, we plan to make additional voluntary contributions of Honeywell common stock to our U.S. plans to improve the funded status of our plans. In 2010, we also expect to contribute approximately $150 million to our non-U.S. defined benefit pension plans to satisfy regulatory funding standards and to fund benefits to be paid directly from Company assets.

Benefit payments, including amounts to be paid from Company assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

2010	$ 1,106
2011	1,143
2012	1,161
2013	1,173
2014	1,189
2015-2019	6,219

(Dollars in millions, except per share amounts)

Other Postretirement Benefits

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) provides subsidies for employers that sponsor postretirement health care plans that provide prescription drug coverage that is at least actuarially equivalent to that offered by Medicare Part D. The impact of the Act reduced other postretirement benefits expense by approximately $11, $21 and $25 million in 2009, 2008 and 2007, respectively.

	December 31,	
	2009	2008
Assumed health care cost trend rate:		
Health care cost trend rate assumed for next year	8.0%	8.0%
Rate that the cost trend rate gradually declines to	5.0%	5.5%
Year that the rate reaches the rate it is assumed to remain at	2016	2014

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	1 percentage point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 5	$ (4)
Effect on postretirement benefit obligation	$ 75	$ (66)

Benefit payments reflecting expected future service, as appropriate, are expected to be paid as follows:

	Without Impact of Medicare Subsidy	Net of Medicare Subsidy
2010	$ 206	$ 192
2011	202	188
2012	186	171
2013	177	162
2014	168	154
2015-2019	726	660

Employee Savings Plans

We sponsor employee savings plans under which we match, in the form of our common stock, savings plan contributions for certain eligible employees. Shares issued under the stock match plans were 4.8, 4.9 and 3.7 million at a cost of $158, $220 and $199 million in 2009, 2008 and 2007, respectively.

Note 23—Segment Financial Data

We globally manage our business operations through four reportable operating segments serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, automotive products and chemicals. Segment information is consistent with how management reviews the businesses, makes investing and resource allocation decisions and assesses operating performance. Our four reportable segments are as follows:

- Aerospace is organized by customer end-market (Air Transport and Regional, Business and General Aviation and Defense and Space) and provides products and services which include auxiliary power units; propulsion engines; environmental control systems; engine controls; repair and overhaul services; hardware; logistics; electric power systems; flight safety, communications, navigation, radar and surveillance systems; aircraft lighting; management and technical services; advanced systems and instruments; and aircraft wheels and brakes.
- Automation and Control Solutions includes Products (controls for heating, cooling, indoor air quality, ventilation, humidification and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance; and remote patient monitoring systems); Building Solutions (installs, maintains and upgrades systems that keep buildings safe, comfortable and productive); and Process Solutions (provides a full range of automation and control solutions for industrial plants, offering advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings).
- Specialty Materials includes fluorocarbons, specialty films, advanced fibers, customized research chemicals and intermediates, electronic materials and chemicals, and catalysts and adsorbents.
- Transportation Systems includes Honeywell Turbo Technologies (turbochargers and charge-air and thermal systems); and the Consumer Products Group (car care products including antifreeze, filters, spark plugs, and cleaners, waxes and additives); and Friction Materials (brake hard parts and other friction materials).

The accounting policies of the segments are the same as those described in Note 1. Honeywell's senior management evaluates segment performance based on segment profit. Segment profit is measured as business unit income (loss) before taxes excluding general corporate unallocated expense, other income (expense), interest and other financial charges, pension and other postretirement benefits (expense), stock compensation expense, repositioning and other charges and accounting changes. Beginning January 1, 2008, consistent with changes made to the measure of segment performance utilized by senior management, segment profit has been adjusted to exclude expense associated with restricted stock units ("RSU") and to include equity income/(loss) of affiliated companies. Stock compensation expense, including RSU expense, totaled $112 million for the year ended December 31, 2007. Equity income/(loss) of affiliated companies, included in other income (expense), totaled $10 million for the year ended December 31, 2007. Both of these changes were applied on a prospective basis beginning January 1, 2008 and are not material to the following reportable segment data:

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

	Years Ended December 31,		
	2009	2008	2007
Net sales			
Aerospace	$ 10,763	$ 12,650	$ 12,236
Automation and Control Solutions	12,611	14,018	12,478
Specialty Materials	4,144	5,266	4,866
Transportation Systems	3,389	4,622	5,009
Corporate	1	—	—
	$ 30,908	$ 36,556	$ 34,589
Depreciation and amortization			
Aerospace	$ 217	$ 202	$ 199
Automation and Control Solutions	352	321	264
Specialty Materials	209	208	216
Transportation Systems	119	122	110
Corporate	60	50	48
	$ 957	$ 903	$ 837
Segment profit			
Aerospace	$ 1,893	$ 2,300	$ 2,197
Automation and Control Solutions	1,588	1,622	1,405
Specialty Materials	605	721	658
Transportation Systems	156	406	583
Corporate	(145)	(204)	(189)
	$ 4,097	$ 4,845	$ 4,654
Capital expenditures			
Aerospace	$ 184	$ 246	$ 172
Automation and Control Solutions	114	208	186
Specialty Materials	153	194	215
Transportation Systems	70	110	131
Corporate	88	126	63
	$ 609	$ 884	$ 767

	December 31,		
	2009	2008	2007
Total assets			
Aerospace	$ 8,386	$ 8,476	$ 8,743
Automation and Control Solutions	15,474	14,609	12,999
Specialty Materials	4,657	5,232	5,065
Transportation Systems	2,773	2,787	3,304
Corporate	4,714	4,386	3,694
	$ 36,004	$ 35,490	$ 33,805

(Dollars in millions, except per share amounts)

A reconciliation of segment profit to consolidated income from continuing operations before taxes is as follows:

	Years Ended December 31,		
	2009	2008	2007
Segment profit	$ 4,097	$ 4,845	$ 4,654
Other income (expense)(1)	29	685	69
Interest and other financial charges	(459)	(456)	(456)
Stock compensation expense(2),(3)	(118)	(128)	(65)
Pension and other postretirement benefits expense(2)	(93)	(113)	(322)
Repositioning and other charges(2)	(478)	(1,012)	(543)
Income from continuing operations before taxes	$ 2,978	$ 3,821	$ 3,337

(1)Equity income/(loss) of affiliated companies was included in Segment Profit, on a prospective basis, commencing January 1, 2008. Other income/(expense) as presented above includes equity income of affiliated companies of $10 million for the year ended December 31, 2007.

(2)Amounts included in cost of products and services sold and selling, general and administrative expenses.

(3)Costs associated with restricted stock units ("RSU") were excluded from Segment Profit, on a prospective basis, commencing January 1, 2008. Stock compensation expense, including RSU expense, totaled $112 million for the year ended December 31, 2007. Stock option expense is included for all periods presented.

Note 24—Geographic Areas—Financial Data

	Net Sales(1)			Long-lived Assets(2)		
	Years Ended December 31,			Years Ended December 31,		
	2009	2008	2007	2009	2008	2007
United States	$ 18,742	$ 22,291	$ 21,101	$ 13,493	$ 14,193	$ 11,916
Europe	7,632	9,484	9,104	2,232	2,050	2,706
Other International	4,534	4,781	4,384	1,790	1,143	1,036
	$ 30,908	$ 36,556	$ 34,589	$ 17,515	$ 17,386	$ 15,658

(1)Sales between geographic areas approximate market and are not significant. Net sales are classified according to their country of origin. Included in United States net sales are export sales of $3,585, $3,506 and $3,427 million in 2009, 2008 and 2007, respectively.

(2)Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets.

(Dollars in millions, except per share amounts)

Note 25—Supplemental Cash Flow Information

	Years Ended December 31,		
	2009	2008	2007
Payments for repositioning and other charges:			
Severance and exit cost payments	$ (200)	$ (157)	$ (92)
Environmental payments	(318)	(320)	(267)
Proceeds from sale of insurance receivable	—	82	97
Insurance receipts for asbestos related liabilities	16	96	26
Asbestos related liability payments	(156)	(147)	(268)
	$ (658)	$ (446)	$ (504)
Interest paid, net of amounts capitalized	$ 469	$ 415	$ 444
Income taxes paid, net of refunds	361	810	474
Non-cash investing and financing activities:			
Common stock contributed to savings plans	153	220	199
Common stock contributed to U.S. pension plans	740	200	—

Note 26—Unaudited Quarterly Financial Information

	2009					2008		
	Mar. 31	June 30	Sept. 30	Dec. 31	Year	Mar. 31	June 30	Sept. 30
Net Sales	$ 7,570	$ 7,566	$ 7,700	$ 8,072	$ 30,908	$ 8,895	$ 9,674	$ 9,275
Gross Profit	1,814	1,884	1,903	2,122	7,723	2,223	2,351	1,799
Net income attributable to Honeywell	397	450	608	698	2,153	643	723	719
Earnings per share—basic:	0.54	0.60	0.80	0.91	2.86	0.87	0.97	0.98
Earnings per share—assuming dilution:	0.54	0.60	0.80	0.91	2.85	0.85	0.96	0.97
Dividends paid	0.3025	0.3025	0.3025	0.3025	1.21	0.275	0.275	0.275
Market Price								
High	36.04	35.79	40.17	41.31	41.31	60.48	62.25	50.93
Low	23.23	29.29	29.31	35.89	23.23	53.95	49.14	40.37

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors andShareowners of
Honeywell International Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1.) present fairly, in all material respects, the financial position of Honeywell International Inc. and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2.) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the accompanying consolidated financial statements, in 2009 the Company retrospectively applied the accounting for noncontrolling interests and in 2007 changed the manner in which it accounts for income tax uncertainties.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
February 11, 2010

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure information required to be disclosed in the reports that Honeywell files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms and that it is accumulated and communicated to our management, including our Chief Executive Officer, our Chief Financial Officer and our Controller, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Honeywell management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Honeywell's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Honeywell's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Honeywell's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of Honeywell's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Honeywell's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Honeywell's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework.*

Based on this assessment, management determined that Honeywell maintained effective internal control over financial reporting as of December 31, 2009.

The effectiveness of Honeywell's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in "Item 8. Financial Statements and Supplementary Data."

Item 9B. Other Information

Not Applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

Information relating to the Directors of Honeywell, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in our definitive Proxy Statement involving the election of the Directors which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after December 31, 2009, and such information is incorporated herein by reference. Certain other information relating to the Executive Officers of Honeywell appears in Part I of this Annual Report on Form 10-K under the heading "Executive Officers of the Registrant".

The members of the Audit Committee of our Board of Directors are: Scott Davis (Chair), Kevin Burke, Linnet Deily, George Paz, John R. Stafford, and Michael W. Wright. The Board has determined that Mr. Davis is the "audit committee financial expert" as defined by applicable SEC rules and that Mr. Davis, Ms. Deily and Mr. Paz satisfy the "accounting or related financial management expertise" criteria established by the NYSE. All members of the Audit Committee are "independent" as that term is defined in applicable SEC Rules and NYSE listing standards.

Honeywell's Code of Business Conduct is available, free of charge, on our website under the heading "Investor Relations" (see "Corporate Governance"), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. Honeywell's Code of Business Conduct applies to all Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees. Amendments to or waivers of the Code of Business Conduct granted to any of Honeywell's directors or executive officers will be published on our website within five business days of such amendment or waiver.

Item 11. Executive Compensation

Information relating to executive compensation is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners and management and related stockholder matters is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

EQUITY COMPENSATION PLANS

As of December 31, 2009 information about our equity compensation plans is as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	50,478,928 (1)	$ 38.58 (2)	33,052,271 (3)
Equity compensation plans not approved by security holders	714,223 (4)	N/A (5)	N/A (6)
Total	51,193,151	$ 38.58	33,052,271

(1) Equity compensation plans approved by shareowners that are included in column (a) of the table are the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2006 Stock Incentive Plan") (17,551,405 shares of Common Stock to be issued for options; 33,700 shares to be issued for stock appreciation rights (SARs); 7,408,460 restricted units subject to continued employment; and 1,121,639 deferred restricted units of earned and vested awards under prior plans that were approved by shareowners where delivery of shares has been deferred); the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2003 Stock Incentive Plan") (14,260,227 shares of Common Stock to be issued for options; 3,600 shares to be issued for SARs; and 652,656 restricted units subject to continued employment); the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (8,724,616 shares of Common Stock to be issued for options; 39,325 shares to be issued for SARs; and 383,300 restricted units subject to continued employment); the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "Non-Employee Director Plan") (175,000 shares of Common Stock to be issued for options; 3,000 restricted units subject to continued services;) and the 1994 Stock Plan for Non-Employee Directors of Honeywell International Inc. (122,000 shares of Common Stock to be issued for options).

957,669 growth plan units were issued for the performance cycle commencing on January 1, 2007 and ending December 31, 2008 pursuant to the 2006 Stock Incentive Plan. The ultimate value of any growth plan award may be paid in cash or shares of Common Stock and, thus, growth plan units are not included in the table above. The ultimate value of growth plan units depends upon the achievement of pre-established performance goals during a two-year performance cycle relating to growth in earnings per share, revenue and return on investment. 50% of the payment related to these growth plan units was paid in 2009 and the remaining 50% will be paid in 2010, subject to active employment on the payment dates.

Because the number of future shares that may be distributed to employees participating in the Honeywell Global Stock Plan is unknown, no shares attributable to that plan are included in column (a) of the table above.

(2) Column (b) does not include any exercise price for restricted units or growth plan units granted to employees or non-employee directors under equity compensation plans approved by shareowners. Restricted units do not have an exercise price because their value is dependent upon attainment of certain performance goals or continued employment or service and they are settled for shares of Common Stock on a one-for-one basis. Growth plan units are denominated in cash units and the ultimate value of the award is dependent upon attainment of certain performance goals.

(3)The number of shares that may be issued under the 2006 Stock Incentive Plan as of December 31, 2009 is 30,000,541 which includes the following additional shares under the 2006 Stock Incentive Plan (or any Prior Plan as defined in the 2006 Stock Incentive Plan) that may again be available for issuance: shares that are settled for cash, expire, are canceled, are tendered in satisfaction of an option exercise price or tax withholding obligations, are reacquired with cash tendered in satisfaction of an option exercise price or with monies attributable to any tax deduction enjoyed by Honeywell to the exercise of an option, and are under any outstanding awards assumed under any equity compensation plan of an entity acquired by Honeywell.

The number of shares that may be issued under the Honeywell Global Stock Plan as of December 31, 2009 is 2,754,730. This plan is an umbrella plan for five plans maintained solely for eligible employees of participating non-U.S. countries. One sub-plan, the Global Employee Stock Purchase Plan, allows eligible employees to contribute between 2.2% and 8.8% of base pay from January through September of each year to purchase shares of Common Stock the following November at the fair market value on the date of purchase. Participant accounts are credited with matching shares equal to 20% of their contributions that are subject to continued employment for 3 years; provided that no matching shares will be credited to individuals participating in this plan during 2010. For 2009, Honeywell used Treasury shares to provide the shares under this plan. Employees purchased and were credited with 167,751 shares of Common Stock in 2009.

Another sub-plan, the UK Sharebuilder Plan, allows an eligible UK employee to contribute a specified percentage of taxable earnings that is then invested in shares. The company matches those shares and dividends paid are used to purchase additional shares; provided that the Company temporarily reduced the match share to 50 percent in 2009. Matched shares are subject to a three-year vesting schedule. Shares taken out of the plan before five years lose their tax-favored status. For the year ending December 31, 2009, 145,079 shares were credited to participants' accounts under the UK Sharebuilder Plan.

The remaining three sub-plans, Honeywell International Technologies Employees Share Ownership Plan (Ireland), the Honeywell Measurex (Ireland) Limited Group Employee Profit Sharing Scheme and the Honeywell Ireland Software Employees Share Ownership Plan, allow eligible Irish employees to contribute specified percentages of base pay, bonus or performance pay that are then invested in shares. Shares must be held in trust for at least two years and lose their tax-favored status if they are taken out of the plan before three years. For the year ending December 31, 2009, 26,261 shares were credited to participants' accounts under these three plans.

The remaining 297,000 shares included in column (c) are shares remaining for future grants under the Non-Employee Director Plan.

(4) Equity compensation plans not approved by shareowners that are included in the table are the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries, and the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc.

The Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries is an unfunded, non-tax qualified plan that provides benefits equal to the employee deferrals and company matching allocations that would have been provided under Honeywell's U.S. tax-qualified savings plan if the Internal Revenue Code limitations on compensation and contributions did not apply. The company matching contribution is credited to participants' accounts in the form of notional shares of Common Stock. Additional notional shares are credited to participants' accounts equal to the value of any cash dividends payable on actual shares of Common Stock. The notional shares are distributed in the form of actual shares of Common Stock when payments are made to participants under the plan.

The AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries was a cash incentive compensation plan maintained by AlliedSignal Inc. This plan has expired. Employees were permitted to defer receipt of a cash bonus payable under the plan and invest the deferred bonus in notional shares of Common Stock. The notional shares are distributed in the form of actual shares of Common Stock when payments are made to participants under the plan. No further deferrals can be made under this plan. The number of shares of Common Stock that remain to be issued under this expired plan as of December 31, 2009 is 46,046.

The Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. provides for mandatory and elective deferral of certain payments to non-employee directors. Mandatory deferrals are invested in notional shares of Common Stock. Directors may also invest any elective deferrals in notional shares of Common Stock. Additional notional shares are credited to participant accounts equal to the value of any cash dividends payable on actual shares of Common Stock. Notional shares of Common Stock are converted to an equivalent amount of cash at the time the distributions are made from the plan to directors.

(5)Column (b) does not include any exercise price for notional shares allocated to employees under Honeywell's equity compensation plans not approved by shareowners because all of these shares are notionally allocated as a matching contribution under the non-tax qualified savings plans or as a notional investment of deferred bonuses or fees under the cash incentive compensation and directors' plans as described in note 4 and are only settled for shares of Common Stock on a one-for-one basis.

(6)No securities are available for future issuance under the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries and the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. The cash incentive compensation plan has expired. All notional investments in shares of Common Stock are converted to cash when payments are made under the directors' plan. The amount of securities available for future issuance under the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries is not determinable because the number of securities that may be issued under this plan depends upon the amount deferred to the plan by participants in future years.

The table does not contain information for employee benefit plans of Honeywell intended to meet the requirements of Section 401(a) of the Internal Revenue Code and a small number of foreign employee benefit plans that are similar to such Section 401(a) plans.

Item 13. Certain Relationships and Related Transactions

Information relating to certain relationships and related transactions is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information relating to fees paid to and services performed by PricewaterhouseCoopers LLP in 2009 and 2008 and our Audit Committee's pre-approval policies and procedures with respect to non-audit services are contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Part IV.

Item 15. Exhibits and Financial Statement Schedules

All other financial statement schedules have been omitted because they are not applicable to us or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3.) Exhibits

See the Exhibit Index on pages 111 through 114 of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

HONEYWELL INTERNATIONAL INC.

February 12, 2010

By: /s/ Kathleen A. Winters
Kathleen A. Winters
Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name	Name
* David M. Cote, Chairman of the Board, Chief Executive Officer and Director	* Linnet F. Deily, Director
* Gordon M. Bethune, Director	* Clive R. Hollick, Director
* Kevin Burke, Director	* George Paz, Director
* Jaime Chico Pardo, Director	* Bradley T. Sheares, Ph.D., Director
* D. Scott Davis, Director	* John R. Stafford, Director
/s/ David J. Anderson — David J. Anderson, Senior Vice President and Chief Financial Officer (Principal Financial Officer)	* Michael W. Wright, Director
	/s/ Kathleen A. Winters — Kathleen A. Winters, Vice President and Controller (Principal Accounting Officer)

*By: /s/ David J. Anderson
(David J. Anderson
Attorney-in-fact)

February 12, 2010

EXHIBIT INDEX

Exhibit No.	Description
3(i)	Amended and Restated Certificate of Incorporation of Honeywell International Inc., as amended April 28, 2008 (incorporated by reference to Exhibit 3(i) to Honeywell's Form 8-K filed May 1, 2008)
3(ii)	By-laws of Honeywell International Inc., as amended September 26, 2008 (incorporated by reference to Exhibit 3(ii) to Honeywell's Form 8-K filed October 2, 2008)
4	Honeywell International Inc. is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of Honeywell and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Honeywell agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
10.1*	2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (incorporated by reference to Honeywell's Proxy Statement, dated March 17, 2003, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934 and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2006 and Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.2*	Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for quarter ended June 30, 2003, and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and Exhibit 10.2 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.3*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2003 and amended by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2008)
10.4*	1985 Stock Plan for Employees of AlliedSignal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.3 to Honeywell's Form 10-Q for the quarter ended September 30, 1991)
10.5*	Honeywell International Inc. Incentive Compensation Plan for Executive Employees, as amended and restated (incorporated by reference to Exhibit 10.5 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.6*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as amended and restated (incorporated by reference to Exhibit 10.6 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.7*	Honeywell International Inc. Severance Plan for Senior Executives, as amended and restated (incorporated by reference to Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2008) and amended by the attached amendment (filed herewith)
10.8*	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc., and its Affiliates, as amended and restated (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-K for the year ended December 31, 2008)

Exhibit No.	Description
10.9*	1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, as amended (incorporated by reference to Exhibit A to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934, and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.9 to Honeywell's Form 10-K for the year ended December 31, 2006, Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and Exhibit 10.9 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.10*	Honeywell International Inc. Supplemental Pension Plan, as amended and restated (incorporated by reference to Exhibit 10.10 to Honeywell's Form 10-K for the year ended December 31, 2008) and amended by the attached amendment (filed herewith)
10.11*	Employment Separation Agreement and Release between J. Kevin Gilligan and Honeywell International Inc. dated February 10, 2004 (incorporated by reference to Honeywell's Form 10-K for year ended December 31, 2003)
10.12*	Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above, as amended and restated (incorporated by reference to Exhibit 10.12 to Honeywell's Form 10-K for the year ended December 31, 2008) and amended by the attached amendment (filed herewith)
10.13*	Honeywell Supplemental Defined Benefit Retirement Plan, as amended and restated (incorporated by reference to Exhibit 10.13 to Honeywell's Form 10-K for the year ended December 31, 2008) and amended by the attached amendment (filed herewith)
10.14*	Letter between David J. Anderson and Honeywell International Inc. dated June 12, 2003 (incorporated by reference to Exhibit 10.26 to Honeywell's Form 10-Q for the quarter ended June 30, 2003 and amended by Exhibit 10.14 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.15*	Employment Separation Agreement and Release between Richard F. Wallman and Honeywell International Inc. dated July 17, 2003 (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended September 30, 2003)
10.16*	Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control), as amended and restated (incorporated by reference to Exhibit 10.16 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.17*	Employment Agreement dated as of February 18, 2002 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.24 to Honeywell's Form 8-K filed March 4, 2002, and amended by Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended September 30, 2008 and Exhibit 10.17 to Hoenywell's Form 10-K for the year ended December 31, 2008)
10.18*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Award Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed February 7, 2005)
10.19*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Restricted Unit Agreement (incorporated by reference to Exhibit 10.21 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.20*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Growth Plan Agreement (incorporated by reference to Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.21*	Stock Plan For Non-Employee Directors of Honeywell International Inc. Option Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K filed April 29, 2005)

Exhibit No.	Description
10.22*	Deferred Compensation Agreement dated August 4, 2006 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2006) and amended by the attached amendment (filed herewith)
10.23*	Letter Agreement dated July 27, 2001 between Honeywell and Larry E. Kittelberger (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-K for the year ended December 31, 2006, and amended by Exhibit 10.23 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.24*	Honeywell Supplemental Retirement Plan (incorporated by reference to Exhibit 10.24 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.25*	Pittway Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.25 to Honeywell's Form 10-K for the year ended December 31, 2006 and amended by Exhibit 10.25 to Honeywell's Form 10-K for the year ended December 31, 2008) and amended by the attached amendment (filed herewith)
10.26*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates, as amended and restated (incorporated by reference to Exhibit 10.26 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.27*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Option Award Agreement (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended March 31, 2009)
10.28*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended March 31, 2009)
10.29*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Growth Plan Agreement (incorporated by reference to Exhibit 10.5 to Honeywell's form 10-Q for the quarter ended June 30, 2006)
10.30*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates Form of Performance Share Agreement (incorporated by reference to Exhibit 10.30 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.31*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (incorporated by reference to Exhibit 10.31 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.32*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Option Agreement (incorporated by reference to Exhibit 10.7 to Honeywell's Form10-Q for the quarter ended June 30, 2006)
10.33*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-Q for the quarter ended June 30, 2006)
10.34*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.34 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.35*	2007 Honeywell Global Employee Stock Plan (incorporated by reference to Honeywell's Proxy Statement, dated March 12, 2007, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934)
10.36*	Letter Agreement dated July 20, 2007 between Honeywell and Roger Fradin (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2007) and amended by the attached amendment (filed herewith)

Exhibit No.	Description
10.37	Amended and Restated Five Year Credit Agreement dated as of May 14, 2007 by and among Honeywell International Inc., the banks, financial institutions and other institutional lenders parties thereto, Citicorp USA, Inc., as administrative agent, Citibank International PLC, as swing line agent, JPMorgan Chase Bank, N.A., as syndication agent, Bank of America, N.A., Barclays Bank PLC, Deutsche Bank AG New York Branch and UBS Loan Finance LLC, as documentation agents, and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and co- book managers (incorporated by reference to Exhibit 10.1 to Honeywell's 8-K filed May 18, 2007)
10.38	Purchase and Sale Agreement between Catalysts, Adsorbents and Process Systems, Inc., and Honeywell Specialty Materials, LLC, dated September 30, 2005 (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-Q for the quarter ended September 30, 2005)
10.39	Stock Purchase Agreement by and between Honeywell International Inc. and M&F Worldwide Corp. (incorporated by reference to Exhibit 2.1 to Honeywell's Form 8-K filed November 1, 2005)
10.40	Stock Purchase Agreement dated April 3, 2008 by and among Honeywell International Inc., Safety Products Holdings, Inc., the selling shareholders party thereto, and Odyssey Investment Services, L.L.C. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed April 7, 2008)
10.41	Stock and Asset Purchase Agreement dated June 9, 2008, by and between Honeywell International Inc. and BE Aerospace, Inc. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed June 11, 2008)
12	Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith)
21	Subsidiaries of the Registrant (filed herewith)
23	Consent of PricewaterhouseCoopers LLP (filed herewith)
24	Powers of Attorney (filed herewith)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (furnished herewith)

The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

HONEYWELL INTERNATIONAL INC
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2009
(In millions)

Allowance for Doubtful Accounts:

Balance December 31, 2006	$ 217
Provision charged to income	79
Deductions from reserves	(115)
Balance December 31, 2007	181
Provision charged to income	93
Deductions from reserves	(94)
Acquisitions	6
Balance December 31, 2008	186
Provision charged to income	177
Deductions from reserves	(134)
Acquisitions	6
Balance December 31, 2009	$ 235

Deferred Tax Assets—Valuation Allowance

Balance December 31, 2006	$ 516
Additions charged to income tax expense	56
Reductions credited to income tax expense	(114)
Additions charged to equity	28
Reductions credited to deferred tax assets, due to expired NOL	(19)
Additions charged to deferred tax assets, due to capital loss carryforwards	51
Reductions credited to goodwill	(28)
Balance December 31, 2007	490
Additions charged to income tax expense	112
Reductions credited to income tax expense	(54)
Reductions charged to deferred tax assets due to expiring NOLs	(8)
Reductions charged to deferred tax assets due to capital loss carryforwards	(7)
Additions charged to equity	(51)
Reductions credited to goodwill	(37)
Balance December 31, 2008	445
Additions charged to income tax expense	142
Reductions credited to income tax expense	(30)
Reductions charged to deferred tax asset due to expired NOL	3
Reductions charged to deferred tax assets due to capital loss carryforwards	(9)
Additions charged to equity	27
Balance December 31, 2009	$ 578

Exhibit 10.7

AMENDMENT
TO THE
HONEYWELL INTERNATIONAL INC.
SEVERANCE PLAN FOR SENIOR EXECUTIVES
(Amended and restated, effective as of January 1, 2009)

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 11, 2009, the Honeywell International Inc. Severance Plan for Senior Executives (Amended and Restated, effective as of January 1, 2009) is hereby amended effective January 1, 2010 by replacing paragraph 20(c) in its entirety with the following new paragraph 20(c):

"(c) In the event of a Change in Control, the provisions of this Section 20 shall be applicable to each Participant, as defined in Section 1(t), who is a Participant on December 31, 2009.

For the avoidance of doubt, no Participant who becomes a Participant on or after January 1, 2010 shall be eligible for the Enhancement Benefit described in this Section 20. If it is determined that such a Participant is entitled to receive payments, benefits and other compensation from the Honeywell Employers (whether paid or payable pursuant to the terms of this Plan or otherwise) that would subject the Participant to an excise tax under Section 4999 of the Code, then the Participant may elect to receive either (1) all payments, benefits and other compensation from the Honeywell Employers less any applicable income taxes and the excise tax imposed under Section 4999 of the Code (i.e., without any Enhancement Benefit), or (2) the amount that maximizes the payments, benefits and other compensation from the Honeywell Employers to the Participant without causing any such payment, benefit or other compensation to be an excess parachute payment' (as defined under Section 280G of the Code and regulations and rulings thereunder) less any applicable income taxes."

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and Communications

Dated: January 12, 2010

Exhibit 10.10

AMENDMENT
TO THE
HONEYWELL INTERNATIONAL INC. SUPPLEMENTAL PENSION PLAN

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 11, 2009, the Honeywell International Inc. Supplemental Pension Plan shall be amended effective January 1, 2010 to include as eligible pay for an eligible participant (defined below) the greater of (a) the incentive compensation received under the terms of the Honeywell International Inc. Incentive Compensation Plan for Executive Employees ("ICP") in 2009 (earned in 2008), or (b) the incentive compensation received under the terms of the ICP in 2010 (earned for 2009); provided, however, that if incentive compensation is included under clause (a), the value of the incentive compensation received in 2009 (earned in 2008) shall be reduced by the actual incentive compensation received and credited to Honeywell's qualified pension plans and/or non-qualified pension plans in 2010 (earned for 2009) to avoid double counting. If incentive compensation is included under clause (a), such incentive compensation shall be treated under the applicable pension formula as eligible pay earned in 2009 and paid in 2010.

This amendment shall be subject to the following conditions:

(a) an eligible participant is a participant who, on March 15, 2010, is earning a pension benefit under the Honeywell Retirement Earnings Plan and is employed by the Company in Band 5, 6 or 7, other than:
   1. the Chief Executive Officer of the Company; and
   2. a participant who receives zero incentive compensation in 2010 (earned for 2009) and is coded in the Company's records as having a performance planning reason for such (e.g., "performance issue" (PI) or "performance termination" (PT)); and
(b) the amounts required to be included in eligible pay shall not be included more than one time.

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and Communications

Dated: January 12, 2010

Exhibit 10.12

AMENDMENT
TO THE
HONEYWELL INTERNATIONAL INC. SUPPLEMENTAL EXECUTIVE
RETIREMENT PLAN FOR EXECUTIVES IN CAREER BANDS 6 AND ABOVE

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 11, 2009, the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Bands 6 and Above shall be amended effective January 1, 2010 to include as eligible pay for an eligible participant (defined below) the greater of (a) the incentive compensation received under the terms of the Honeywell International Inc. Incentive Compensation Plan for Executive Employees ("ICP") in 2009 (earned in 2008), or (b) the incentive compensation received under the terms of the ICP in 2010 (earned for 2009); provided, however, that if incentive compensation is included under clause (a), the value of the incentive compensation received in 2009 (earned in 2008) shall be reduced by the actual incentive compensation received and credited to Honeywell's qualified pension plans and/or non-qualified pension plans in 2010 (earned for 2009) to avoid double counting. If incentive compensation is included under clause (a), such incentive compensation shall be treated under the applicable pension formula as eligible pay earned in 2009 and paid in 2010.

This amendment shall be subject to the following conditions:

(a) an eligible participant is a participant who, on March 15, 2010, is earning a pension benefit under the Honeywell Retirement Earnings Plan and is employed by the Company in Band 5, 6 or 7, other than a participant who receives zero incentive compensation in 2010 (earned for 2009) and is coded in the Company's records as having a performance planning reason for such (e.g., "performance issue" (PI) or "performance termination" (PT)); and

(b) the amounts required to be included in eligible pay shall not be included more than one time.

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and Communications

Dated: January 12, 2010

Exhibit 10.13

AMENDMENT
TO THE
HONEYWELL SUPPLEMENTAL DEFINED BENEFIT RETIREMENT PLAN

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 11, 2009, the Honeywell Supplemental Defined Benefit Retirement Plan shall be amended effective January 1, 2010 to include as eligible pay for an eligible participant (defined below) the greater of (a) the incentive compensation received under the terms of the Honeywell International Inc. Incentive Compensation Plan for Executive Employees ("ICP") in 2009 (earned in 2008), or (b) the incentive compensation received under the terms of the ICP in 2010 (earned for 2009); provided, however, that if incentive compensation is included under clause (a), the value of the incentive compensation received in 2009 (earned in 2008) shall be reduced by the actual incentive compensation received and credited to Honeywell's qualified pension plans and/or non-qualified pension plans in 2010 (earned for 2009) to avoid double counting. If incentive compensation is included under clause (a), such incentive compensation shall be treated under the applicable pension formula as eligible pay earned in 2009 and paid in 2010.

This amendment shall be subject to the following conditions:

(a) an eligible participant is a participant who, on March 15, 2010, is earning a pension benefit under the Honeywell Retirement Earnings Plan and is employed by the Company in Band 5, 6 or 7, other than a participant who receives zero incentive compensation in 2010 (earned for 2009) and is coded in the Company's records as having a performance planning reason for such (e.g., "performance issue" (PI) or "performance termination" (PT)); and

(b) the amounts required to be included in eligible pay shall not be included more than one time.

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and Communications

Dated: January 12, 2010

Exhibit 10.22

AMENDMENT
TO THE
DEFERRED COMPENSATION AGREEMENT
BETWEEN
HONEYWELL INTERNATIONAL INC. AND DAVID M. COTE
DATED AUGUST 4, 2006

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 11, 2009, and in accordance with an agreement made between the Company and Mr. David M. Cote to amend the Deferred Compensation Agreement between David M. Cote and Honeywell International Inc. dated August 4, 2006 (the "Agreement"), the Agreement shall be amended effective January 1, 2010 in the following particulars:

1. By replacing paragraph 2(c) in its entirety with the following new paragraph 2(c):

   "c. Annual Payment' means $62,000."

2. By replacing Section 3 in its entirety with the following new Section 3:

   "3. Payment of Annual Payments and the Premium.

   a. Annual Payments Before Executive's Death. Subject to Sections 5(a), 5(b), 9(a) and 9(b), Honeywell shall pay Executive the Annual Payment no later than January 15th of each calendar year for which the Annual Payment is due. Honeywell shall tax and report each Annual Payment as wages and shall withhold all applicable federal, state and local taxes from the Annual Payment. Executive shall remain solely responsible for any federal, state, local or other taxes associated with the Annual Payment.

   b. Annual Payments After Executive's Death. Subject to Sections 5(a), 5(b), 9(a) and 9(b), if Executive predeceases Co-insured, Honeywell shall pay Co-insured the Annual Payment no later than January 15th of each calendar year for which the Annual Payment is due. Honeywell shall properly report and withhold all applicable federal, state and local taxes from the Annual Payment. Co-insured shall remain solely responsible for any federal, state, local or other taxes associated with the Annual Payment.

   c. Annual Premium Payments. Executive (or Co-insured following Executive's death) shall be solely responsible for paying the full amount of the Premium directly to the Insurer by its required due date."

3. By replacing Section 4 in its entirety with the following new Section 4:

"4. Policy Ownership. Executive (or Co-insured following Executive's death) shall be the owner of the Policy and shall be entitled to exercise all rights of ownership, including the right to assign ownership to another person or entity as permitted by the Policy. Honeywell shall have no rights with respect to the Policy."

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and Communications

DAVID M. COTE

/s/ David M. Cote

Dated: February 2, 2010

Exhibit 10.25

AMENDMENT
TO THE
PITTWAY CORPORATION SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 11, 2009, the Pittway Corporation Supplemental Executive Retirement Plan shall be amended effective January 1, 2010 to include as eligible pay for an eligible participant (defined below) the greater of (a) the incentive compensation received under the terms of the Honeywell International Inc. Incentive Compensation Plan for Executive Employees ("ICP") in 2009 (earned in 2008), or (b) the incentive compensation received under the terms of the ICP in 2010 (earned for 2009); provided, however, that if incentive compensation is included under clause (a), the value of the incentive compensation received in 2009 (earned in 2008) shall be reduced by the actual incentive compensation received and credited to Honeywell's qualified pension plans and/or non-qualified pension plans in 2010 (earned for 2009) to avoid double counting. If incentive compensation is included under clause (a), such incentive compensation shall be treated under the applicable pension formula as eligible pay earned in 2009 and paid in 2010.

This amendment shall be subject to the following conditions:

(a) an eligible participant is a participant who, on March 15, 2010, is earning a pension benefit under the Honeywell Retirement Earnings Plan and is employed by the Company in Band 5, 6 or 7, other than a participant who receives zero incentive compensation in 2010 (earned for 2009) and is coded in the Company's records as having a performance planning reason for such (e.g., "performance issue" (PI) or "performance termination" (PT)); and

(b) the amounts required to be included in eligible pay shall not be included more than one time.

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and Communications

Dated: January 12, 2010

Exhibit 10.36

AMENDMENT
TO THE
LETTER AGREEMENT
BETWEEN
HONEYWELL INTERNATIONAL INC. AND ROGER M. FRADIN
DATED JULY 17, 2007

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 11, 2009, the Letter Agreement between Honeywell International Inc. and Roger M. Fradin shall be amended effective March 15, 2010 by replacing the second sentence of the third paragraph under the heading "Additional Retirement Benefit" in its entirety with the following three sentences:

"For purposes of this Agreement, Final Average Compensation' shall mean the average of your base salary and annual bonus (earned not paid) with respect to the three calendar years coincident with or immediately preceding the end of your employment with Honeywell. Notwithstanding the preceding sentence, your annual bonus for 2009 shall be the greater of (a) the incentive compensation received under the terms of the Honeywell International Inc. Incentive Compensation Plan for Executive Employees (ICP') in 2009 (earned in 2008), or (b) the incentive compensation received under the terms of the ICP in 2010 (earned for 2009); provided however that if incentive compensation is included under clause (a), the value of the incentive compensation received in 2009 (earned in 2008) shall be reduced by the actual incentive compensation received and credited to the pension plans in 2010 (earned for 2009) to avoid double counting."

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and Communications

ROGER FRADIN

/s/ Roger Fradin

Dated: January 30, 2010

EXHIBIT 12

HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	2009	2008	2007	2006	2005
Determination of Earnings:					
Income from continuing operation before taxes	$ 2,978	$ 3,821	$ 3,337	$ 2,815	$ 2,306
Add (Deduct):					
Amortization of capitalized interest	21	22	22	22	22
Fixed charges	540	542	543	488	465
Equity income, net of distributions	(26)	(63)	(10)	(7)	(30)
Total earnings, as defined	$ 3,513	$ 4,322	$ 3,892	$ 3,318	$ 2,763
Fixed Charges:					
Rents (a)	$ 81	$ 86	$ 87	$ 114	$ 109
Interest and other financial charges	459	456	456	374	356
	540	542	543	488	465
Capitalized interest	15	26	22	22	17
Total fixed charges	$ 555	$ 568	$ 565	$ 510	$ 482
Ratio of Earnings to Fixed Charges	6.33	7.61	6.89	6.51	5.73

(a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

EXHIBIT 21

Name	Country or State of Incorporation	Percent Ownership
ADI-Gardiner Limited	England	100%
AlliedSignal Aerospace Service Corporation	Delaware	100%
AlliedSignal Holdings B.V.	Netherlands	100%
Alsip Packaging, Inc.	Delaware	100%
Grimes Aerospace Company	Delaware	100%
Hand Held Products, Inc	Delaware	100%
Honeywell (China) Co., Ltd.	China	100%
Honeywell (Singapore) Pte Ltd.	Singapore	100%
Honeywell Aerospace GmbH	Germany	100%
Honeywell Aerospace UK	Canada	100%
Honeywell ASCa Inc.	Canada	100%
Honeywell Asia Pacific Inc.	Delaware	100%
Honeywell Automation India Limited	India	81%
Honeywell Avionics Systems Limited	United Kingdom	100%
Honeywell B.V.	Netherlands	100%
Honeywell Bermuda LP	Bermuda	100%
Honeywell Co., Ltd. (Korea)	Korea	100%
Honeywell Control Systems Limited	United Kingdom	100%
Honeywell Deutschland GmbH	Germany	100%
Honeywell Electronic Materials, Inc.	Washington	100%
Honeywell Europe NV	Belgium	100%
Honeywell Finance LP	Delaware	100%
Honeywell Garrett S.A.	France	100%
Honeywell Garrett Italia S.r.l.	Italy	100%
Honeywell Holdings Pty. Ltd.	Australia	100%
Honeywell International Sàrl	Switzerland	100%
Honeywell Japan Inc.	Japan	100%
Honeywell Korea Ltd.	Korea	100%
Honeywell Limited Honeywell Limitee	Canada	100%
Honeywell Luxembourg Finance SARL	Luxembourg	100%
Honeywell Luxembourg Holding S.a.r.l.	Luxembourg	100%
Honeywell Specialty Chemicals Seelze GmbH	Germany	100%
Honeywell spol s.r.o. (Czech Republic)	Czech Republic	100%
Honeywell Technical Services S.r.l.	Italy	100%
Honeywell Technologies Sarl	Switzerland	100%
Honeywell Technology Solutions Inc.	Delaware	100%
Honeywell Turbocharging Systems Japan Inc.	Japan	100%
Honeywell UK Limited	United Kingdom	100%
Life Safety Distribution AG	Switzerland	100%
Maxon Corporation	Indiana	100%
Metrologic Instruments, Inc.	New Jersey	100%
Norcross Safety Products, L.L.C	Delaware	100%
Novar ED&S Limited	England	100%
Novar Limited	United Kingdom	100%
UOP LLC	Delaware	100%

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 33-55425, 333-22355, 333-101455 and 333-141013), Form S-8 (No. 33-51455, 033-58347, 333-57515, 333-57517, 333-57519, 333-83511, 333-49280, 333-57868, 333-105065, 333-108461, 333-136083, 333-136086, 333-146932 and 333-148995) and on Form S-4 (No. 333-82049) of Honeywell International Inc. of our report dated February 11, 2010 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 11, 2010

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2009,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director

/s/ Clive R. Hollick
Clive R. Hollick, Director

Dated: December 11, 2009

/s/ Kevin Burke
Kevin Burke, Director

Dated: February 5, 2010

/s/ George Paz
George Paz, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

/s/ John R. Stafford
John R. Stafford, Director

/s/ Michael W. Wright
Michael W. Wright, Director

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan, the Honeywell Puerto Rico Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2007 Honeywell Global Employee Stock Plan (including any and all sub-plans), and any plan which is a successor to such plans or is a validly authorized plan pursuant to which securities of the Company are issued to employees.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director

/s/ Clive R. Hollick
Clive R. Hollick, Director

/s/ George Paz
George Paz, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

/s/ John R. Stafford
John R. Stafford, Director

/s/ Michael W. Wright
Michael W. Wright, Director

Dated: December 11, 2009

/s/ Kevin Burke
Kevin Burke, Director

Dated: February 5, 2010

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company on Form S-3 (or other appropriate form) for the registration of:

(i) debt securities of the Company, with such terms as may be from time to time specified in such registration statement or any amendment or post-effective amendment;

(ii) shares (or resale of shares) of the Company's common stock, par value, $1.00 per share ("Common Stock"), including shares of Common Stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any plan which is a successor to such plan;

(iii) shares of the Company's preferred stock, without par value; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or another person or entity, as may be specified in any such registration statement or amendment, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder;

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to the extent that they confer authority to sign the above-described documents.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director

/s/ Clive R. Hollick
Clive R. Hollick, Director

/s/ George Paz
George Paz, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

/s/ John R. Stafford
John R. Stafford, Director

/s/ Michael W. Wright
Michael W. Wright, Director

Dated: December 11, 2009

/s/ Kevin Burke
Kevin Burke, Director

Dated: February 5, 2010

Exhibit 24

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint David J. Anderson, Katherine L. Adams, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company on Form S-3 (or other appropriate form) for the registration of:

(i) debt securities of the Company, with such terms as may be from time to time specified in such registration statement or any amendment or post-effective amendment;

(ii) shares (or resale of shares) of the Company's common stock, par value, $1.00 per share ("Common Stock"), including shares of Common Stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any plan which is a successor to such plan;

(iii) shares of the Company's preferred stock, without par value; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or another person or entity, as may be specified in any such registration statement or amendment, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder;

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to the extent that they confer authority to sign the above-described documents.

/s/ David M. Cote

David M. Cote

Dated: December 11, 2009

Exhibit 24

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint David J. Anderson, Katherine L. Adams, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2009,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ David M. Cote
David M. Cote

Dated: December 11, 2009

Exhibit 24

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint David J. Anderson, Katherine L. Adams, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan, the Honeywell Puerto Rico Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2007 Honeywell Global Employee Stock Plan (including any and all sub-plans), and any plan which is a successor to such plans or is a validly authorized plan pursuant to which securities of the Company are issued to employees.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

/s/ David M. Cote
David M. Cote

Dated: December 11, 2009

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David M. Cote, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Honeywell International Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2010

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Anderson, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Honeywell International Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2010

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the year ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer
February 12, 2010

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer
February 12, 2010

EXHIBIT 9

HONEYWELL INTERNATIONAL INC (HON)

10-K

Annual report pursuant to section 13 and 15(d)
Filed on 02/11/2011
Filed Period 12/31/2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware	22-2640650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 Columbia Road Morris Township, New Jersey	07962
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (973) 455-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1 per share*	New York Stock Exchange Chicago Stock Exchange
9½% Debentures due June 1, 2016	New York Stock Exchange

* The common stock is also listed on the London Stock Exchange.
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $29.8 billion at June 30, 2010.

There were 784,122,288 shares of Common Stock outstanding at January 31, 2011.

Documents Incorporated by Reference

Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 25, 2011.

TABLE OF CONTENTS

PART I.

Item 1. Business

Honeywell International Inc. (Honeywell) is a diversified technology and manufacturing company, serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, turbochargers, automotive products, specialty chemicals, electronic and advanced materials, process technology for refining and petrochemicals, and energy efficient products and solutions for homes, business and transportation. Honeywell was incorporated in Delaware in 1985.

We maintain an internet website at http://www.honeywell.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, are available free of charge on our website under the heading "Investor Relations" (see "SEC Filings & Reports") immediately after they are filed with, or furnished to, the Securities and Exchange Commission (SEC). In addition, in this Form 10-K, the Company incorporates by reference certain information from parts of its proxy statement for the 2011 Annual Meeting of Stockholders, which we expect to file with the SEC on or about March 10, 2011, and which will also be available free of charge on our website.

Information relating to corporate governance at Honeywell, including Honeywell's Code of Business Conduct, Corporate Governance Guidelines and Charters of the Committees of the Board of Directors are also available, free of charge, on our website under the heading "Investor Relations" (see "Corporate Governance"), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. Honeywell's Code of Business Conduct applies to all Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees.

Major Businesses

We globally manage our business operations through four businesses that are reported as operating segments: Aerospace, Automation and Control Solutions, Specialty Materials and Transportation Systems. Financial information related to our operating segments is included in Note 23 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The major products/services, customers/uses and key competitors of each of our operating segments follows:

Aerospace

Our Aerospace segment is a leading global provider of integrated avionics, engines, systems and service solutions for aircraft manufacturers, airlines, business and general aviation, military, space and airport operations.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Turbine propulsion engines	TFE731 turbofan TFE1042 turbofan ATF3 turbofan F124 turbofan ALF502 turbofan LF507 turbofan CFE738 turbofan HTF 7000 turbofan T53, T55 turboshaft T800 turboshaft TF40B/50A HTS900 LT101-650/750/850 TPE 331 turboprop AGT1500 turboshaft Repair, overhaul and spare parts	Business, regional, general aviation and military trainer aircraft Commercial and military helicopters Military vehicles	United Technologies Rolls Royce/Allison Turbomeca Williams

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Auxiliary power units (APU'S)	Airborne auxiliary power units Jet fuel starters Secondary power systems Ground power units Repair, overhaul and spare parts	Commercial, regional, business and military aircraft Ground power	United Technologies

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Environmental control systems	Air management systems: Air conditioning Bleed air Cabin pressure control Air purification and treatment Gas Processing Heat Exchangers Repair, overhaul and spare parts	Commercial, regional and general aviation aircraft Military aircraft Ground vehicles Spacecraft	Auxilec Barber Colman Dukes Eaton-Vickers General Electric Goodrich Liebherr Pacific Scientific Parker Hannifin TAT United Technologies

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Electric power systems	Generators Power distribution & control Power conditioning Repair, overhaul and spare parts	Commercial, regional, business and military aircraft	General Electric Goodrich Safran United Technologies

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Engine systems accessories	Electronic and hydromechanical fuel controls Engine start systems Electronic engine controls Sensors Valves Electric and pneumatic power generation systems Thrust reverser actuation, pneumatic and electric	Commercial, regional and general aviation aircraft Military aircraft	BAE Controls Goodrich Parker Hannifin United Technologies

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Avionics systems	Flight safety systems: Enhanced Ground Proximity Warning Systems (EGPWS) Traffic Alert and Collision Avoidance Systems (TCAS) Windshear detection systems Flight data and cockpit voice recorders Weather radar Communication, navigation and surveillance systems: Navigation and guidance systems Global positioning systems	Commercial, business and general aviation aircraft Government aviation	BAE Boeing/Jeppesen Garmin General Electric Goodrich Kaiser L3 Lockheed Martin Northrop Grumman Rockwell Collins Thales Trimble/Terra Universal Avionics Universal Weather

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
	Satellite systems Integrated avionics systems Flight management systems Cockpit display systems Data management and aircraft performance monitoring systems Aircraft information systems Network file servers Wireless network transceivers Weather information network Navigation database information Cabin management systems Vibration detection and monitoring Mission management systems Tactical data management systems Maintenance and health monitoring systems		

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Aircraft lighting	Interior and exterior aircraft lighting	Commercial, regional, business, helicopter and military aviation aircraft (operators, OEMs, parts distributors and MRO service providers)	Hella/Goodrich LSI Luminator Whelen

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Inertial sensor	Inertial sensor systems for guidance, stabilization, navigation and control Gyroscopes, accelerometers, inertial measurement units and thermal switches Attitude and heading reference systems	Military and commercial vehicles Commercial spacecraft and launch vehicles Transportation Missiles Munitions	Astronautics Kearfott BAE GEC General Electric Goodrich L3 Com KVH Northrop Grumman Rockwell

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Control products	Radar altimeters Pressure products Air data products Thermal switches Magnetic sensors	Military aircraft Missiles, UAVs Commercial applications Commercial, regional, business and military aircraft	BAE Goodrich Northrop Grumman Rockwell Collins Rosemount

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Space products and subsystems	Guidance subsystems Control subsystems Processing subsystems Radiation hardened electronics and integrated circuits GPS-based range safety systems Gyroscopes	Commercial and military spacecraft DoD FAA NASA	BAE Ithaco L3 Northrop Grumman Raytheon

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Management and technical services	Maintenance/operation and provision of space systems, services and facilities Systems engineering and integration Information technology services Logistics and sustainment	U.S. government space (NASA) DoD (logistics and information services) FAA DoE Local governments Commercial space ground segment systems and services	Bechtel Boeing Computer Sciences Dyncorp ITT Lockheed Martin Raytheon SAIC The Washington Group United Space Alliance

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Landing systems	Wheels and brakes Wheel and brake repair and overhaul services	Commercial airline, regional, business and military aircraft High performance commercial vehicles USAF, DoD, DoE Boeing, Airbus, Lockheed Martin	Dunlop Standard Aerospace Goodrich K&F Industries Messier-Bugatti NASCO

Automation and Control Solutions

Our Automation and Control Solutions segment is a leading global provider of environmental and combustion controls, sensing controls, security and life safety products and services, scanning and mobility devices and process automation and building solutions and services for homes, buildings and industrial facilities.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Environmental and combustion controls; sensing controls	Heating, ventilating and air conditioning controls and components for homes and buildings Indoor air quality products including zoning, air cleaners, humidification, heat and energy recovery ventilators Controls plus integrated electronic systems for burners, boilers and furnaces Consumer household products including humidifiers and thermostats Electrical devices and switches Water controls Sensors, measurement, control and industrial components Energy demand/response management products and services	Original equipment manufacturers (OEMs) Distributors Contractors Retailers System integrators Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels Package and materials handling operations Appliance manufacturers Automotive companies Aviation companies Food and beverage processors Medical equipment Heat treat processors Computer and business equipment manufacturers	Bosch Cherry Danfoss Eaton Emerson Endress & Hauser Freescale Semiconductor GE Holmes Invensys Johnson Controls Omron Schneider Siemens United Technologies Yamatake

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Security and life safety products and services	Security products and systems Fire products and systems Access controls and closed circuit television Home health monitoring and nurse call systems Gas detection products and systems Emergency lighting Distribution Personal protection equipment	OEMs Retailers Distributors Commercial customers and homeowners served by the the distributor, wholesaler, contractor, retail and utility channels Health care organizations Security monitoring service providers Industrial, fire service, utility distributors and U.S. Government	Bosch Draeger GE Hubbell Inc Mine Safety Appliances Pelco Phillips Riken Keiki Siemens Tyco United Technologies 3M

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Scanning and mobility	Hand held and hands free image and laser based bar code scanners Scan engines Mobile and wireless computers	OEMs Retailers Distributors Commercial customers served by the transportation and and logistics, manufacturing, healthcare and retail channels	Datalogic Intermec Technologies Motorola Solutions

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Process automation products and solutions	Advanced control software and industrial automation systems for control and monitoring of continuous, batch and hybrid operations Production management software Communications systems for Industrial Control equipment and systems Consulting, networking engineering and installation Terminal automation solutions Process control instrumentation Field instrumentation Analytical instrumentation Recorders and controllers Critical environment control solutions and services Aftermarket maintenance, repair and upgrade Gas control, measurement and analyzing equipment	Refining and petrochemical companies Chemical manufacturers Oil and gas producers Food and beverage processors Pharmaceutical companies Utilities Film and coated producers Pulp and paper industry Continuous web producers in the paper, plastics, metals, rubber, non-woverns and printing industries Mining and mineral industries	ABB AspenTech Emerson Invensys Siemens Yokogawa

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Building solutions and services	HVAC and building control solutions and services Energy management solutions and services, including demand response and automation Security and asset management solutions and services Enterprise building integration solutions Building information services Airport lighting and systems, visual docking guidance	Building managers and owners Contractors, architects and developers Consulting engineers Security directors Plant managers Utilities Large global corporations Public school systems Universities Local governments Public housing agencies Airports	Ameresco GroupMac Ingersoll Rand Invensys Johnson Controls Local contractors and utilities Safegate Schneider Siemens Trane Thorn United Technologies

Specialty Materials

Our Specialty Materials segment is a global leader in providing customers with high-performance specialty materials, including hydrocarbon processing technologies, catalysts, adsorbents, equipment and services, fluorine products, specialty films and additives, advanced fibers and composites, intermediates, specialty chemicals, electronic materials and chemicals.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Resins & chemicals	Nylon 6 polymer Caprolactam Ammonium sulfate Cyclohexanone Cyclophexanol (KA Oil) MEKO	Nylon for carpet fibers, engineered resins and flexible packaging Compounded Fertilizer ingredients Specialty chemicals	BASF DSM Sinopec UBE
Hydrofluoric acid (HF)	Anhydrous and aqueous hydrofluoric acid	Fluorocarbons Steel Oil refining Chemical intermediates Semiconductors Photovoltaics	Mexichem Flour Solvay
Fluorocarbons	Refrigerants, aerosol and insulation foam blowing agents Genesolv® solvents Oxyfume sterilant gases Ennovate 3000 blowing agent for refrigeration insulation	Refrigeration Air conditioning Polyurethane foam Precision cleaning Optical Appliances Hospitals Medical equipment manufacturers	Arkema Dupont Solvay Incos

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Fluorine specialties	Sulfur hexafluoride (SF6) Iodine pentafluoride (IF) Antimony pentafluoride (SbF5)	Electric utilities Magnesium gear manufacturers	Air Products Asahi Glass Solvay LiMing
Nuclear services	UF6 conversion services	Nuclear fuel Electric utilities	Cameco Comurhex Rosatom
Research and fine chemicals	Oxime-based fine chemicals Fluoroaromatics High-purity solvents	Agrichemicals Biotech	Avecia Degussa DSM E. Merck Thermo Fisher Scientific Lonza Sigma-Aldrich
Performance chemicals Imaging chemicals Chemical processing sealants	HF derivatives Fluoroaromatics Catalysts Oxime-silanes	Diverse by product type	Atotech BASF DSM

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Advanced fibers & composites	High modulus polyethylene fiber and shield composites Aramid shield composites	Bullet resistant vests, helmets and other armor applications Cut-resistant gloves Rope & cordage	DuPont DSM Teijin
Specialty films	Cast nylon film Bi-axially oriented nylon film Fluoropolymer film	Food and pharmaceutical packaging	American Biaxis CFP Daikin Kolon Unitika
Specialty additives	Polyethylene waxes Paraffin waxes and blends PVC lubricant systems Processing aids Luminescent pigments	Coatings and inks PVC pipe, siding & profiles Plastics Reflective coatings Safety & security applications	BASF Clariant Eastman

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Electronic chemicals	Ultra high-purity HF Inorganic acids Hi-purity solvents	Semiconductors Photovoltaics	KMG BASF General Chemical
Semiconductor materials and services	Interconnect-dielectrics Interconnect-metals Semiconductor packaging materials Advanced polymers Anti-reflective coatings Thermo-couples	Semiconductors Microelectronics Telecommunications LED Photovoltaics	BASF Brewer Kyocera Nikko Praxair Shinko Tosch

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Catalysts, adsorbents and specialties	Catalysts Molecular sieves Adsorbents Customer catalyst manufacturing	Petroleum, refining, petrochemical, gas processing, and manufacturing industries	Axens BASF WR Grace Haldor Shell/Criterion
Process technology and equipment	Technology licensing and engineering design of process units and systems Engineered products Proprietary equipment Training and development of technical personnel Gas processing technology	Petroleum refining, petrochemical and gas processing	Axens BP/Amoco Exxon-Mobil Chevron Lummus Global Chicago Bridge & Iron Koch Glitsch Linde AG Natco Shaw Group Shell/SGS
Renewable fuels and chemicals	Technology licensing of Process, catalysts, absorbents, Refining equipment and services for producing renewable-based fuels and chemicals	Agricultural products	Neste Oy Lurgi Syntroleum Dynamotive

Transportation Systems

Our Transportation Systems segment is one of the leading manufacturers of engine boosting systems for passenger cars and commercial vehicles, as well as a leading provider of automotive care and braking products.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Charge-air systems	Turbochargers for gasoline and diesel engines	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Borg-Warner Holset IHI MHI
Thermal systems	Exhaust gas coolers Charge-air coolers Aluminum radiators Aluminum cooling modules	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Behr Modine Valeo
Aftermarket filters, spark plugs, electronic components and car care products	Oil, air, fuel, transmission and coolant filters PCV valves Spark plugs Wire and cable Antifreeze/coolant Windshield washer fluids Waxes, washes and specialty cleaners	Automotive and heavy vehicle aftermarket channels, OEM's and Original Equipment Service Providers (OES) Auto supply retailers Specialty installers Mass merchandisers	AC Delco Bosch Champion Mann & Hummel NGK Peak/Old World Industries Purolator STP/ArmorAll Turtle Wax Zerex/Valvoline
Brake hard parts and other friction materials	Disc brake pads and shoes Drum brake linings Brake blocks Disc and drum brake components Brake hydraulic components Brake fluid Aircraft brake linings Railway linings	Automotive and heavy vehicle OEMs, OES, brake manufacturers and aftermarket channels Installers Railway and commercial/military aircraft OEMs and brake manufacturers	Advics Akebono Continental Federal-Mogul ITT Corp JBI Nisshinbo TMD Friction TRW

Aerospace Sales

Our sales to aerospace customers were 32, 35 and 35 percent of our total sales in 2010, 2009 and 2008, respectively. Our sales to commercial aerospace original equipment manufacturers were 6, 7 and 9 percent of our total sales in 2010, 2009 and 2008, respectively. In addition, our sales to commercial aftermarket customers of aerospace products and services were 10, 11 and 11 percent of our total sales in 2010, 2009 and 2008, respectively. Our Aerospace results of operations can be impacted by various industry and economic conditions. See "Item 1A. Risk Factors."

U.S. Government Sales

Sales to the U.S. Government (principally by our Aerospace segment), acting through its various departments and agencies and through prime contractors, amounted to $4,354, $4,288 and $4,240 million in 2010, 2009 and 2008, respectively, which included sales to the U.S. Department of Defense, as a prime contractor and subcontractor, of $3,500, $3,455 and $3,412 million in 2010, 2009 and 2008, respectively. U.S. defense spending increased in 2010. Although we expect a slight decline in our defense and space revenue in 2011 (see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations), we do not expect to be significantly affected by any proposed changes in 2011 federal spending due principally to the varied mix of the government programs which impact us (OEM production, engineering development programs, aftermarket spares and repairs and overhaul programs). Our contracts with the U.S. Government are subject to audits, investigations, and termination by the government. See "Item 1A. Risk Factors."

Backlog

Our total backlog at December 31, 2010 and 2009 was $14,616 and $13,182 million, respectively. We anticipate that approximately $10,609 million of the 2010 backlog will be filled in 2011. We believe that backlog is not necessarily a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

Competition

We are subject to active competition in substantially all product and service areas. Competition is expected to continue in all geographic regions. Competitive conditions vary widely among the thousands of products and services provided by us, and vary by country. Depending on the particular customer or market involved, our businesses compete on a variety of factors, such as price, quality, reliability, delivery, customer service, performance, applied technology, product innovation and product recognition. Brand identity, service to customers and quality are generally important competitive factors for our products and services, and there is considerable price competition. Other competitive factors for certain products include breadth of product line, research and development efforts and technical and managerial capability. While our competitive position varies among our products and services, we believe we are a significant competitor in each of our major product and service classes. However, a number of our products and services are sold in competition with those of a large number of other companies, some of which have substantial financial resources and significant technological capabilities. In addition, some of our products compete with the captive component divisions of original equipment manufacturers. See Item 1A "Risk Factors" for further discussion.

International Operations

We are engaged in manufacturing, sales, service and research and development mainly in the United States, Europe, Asia, Canada, Middle East and Latin America. U.S. exports and foreign manufactured products are significant to our operations. U.S. exports comprised 11, 12 and 10 percent of our total sales in 2010, 2009 and 2008, respectively. Foreign manufactured products and services, mainly in Europe, were 41, 39 and 39 percent of our total sales in 2010, 2009 and 2008, respectively.

Approximately 17 percent of total 2010 sales of Aerospace-related products and services were exports of U.S. manufactured products and systems and performance of services such as aircraft repair and overhaul. Exports were principally made to Europe, Canada, Asia and Latin America. Foreign manufactured products and systems and performance of services comprised approximately 15 percent of total 2010 Aerospace sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Canada and Asia.

Approximately 2 percent of total 2010 sales of Automation and Control Solutions products and services were exports of U.S. manufactured products. Foreign manufactured products and performance of services accounted for 58 percent of total 2010 Automation and Control Solutions sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Canada.

Approximately 30 percent of total 2010 sales of Specialty Materials products and services were exports of U.S. manufactured products. Exports were principally made to Asia and Latin America. Foreign manufactured products and performance of services comprised 27 percent of total 2010 Specialty Materials sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Canada.

Approximately 3 percent of total 2010 sales of Transportation Systems products were exports of U.S. manufactured products. Foreign manufactured products accounted for 70 percent of total 2010 sales of Transportation Systems. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Latin America.

Financial information including net sales and long-lived assets related to geographic areas is included in Note 24 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data". Information regarding the economic, political, regulatory and other risks associated with international operations is included in "Item 1A. Risk Factors."

Raw Materials

The principal raw materials used in our operations are generally readily available. We experienced no significant problems in the purchase of key raw materials and commodities in 2010. We are not dependent on any one supplier for a material amount of our raw materials, except related to phenol, a raw material used in our Specialty Materials segment. We purchase phenol under a supply agreement with one supplier.

The costs of certain key raw materials, including natural gas, benzene (the key component in phenol), ethylene, fluorspar and sulfur in our Specialty Materials business, steel, nickel, other metals and ethylene glycol in our Transportation Systems business, and nickel, titanium and other metals in our Aerospace business, are expected to remain volatile. In addition, in 2010 certain large long-term fixed supplier price agreements expired, primarily relating to components used by our Aerospace business, which in the aggregate, subjected us to higher volatility in certain component costs. We will continue to attempt to offset raw material cost increases with formula or long-term supply agreements, price increases and hedging activities where feasible. We do not presently anticipate that a shortage of raw materials will cause any material adverse impacts during 2011. See "Item 1A. Risk Factors" for further discussion.

We are highly dependent on our suppliers and subcontractors in order to meet commitments to our customers. In addition, many major components and product equipment items are procured or subcontracted on a single-source basis with a number of domestic and foreign companies. We maintain a qualification and performance surveillance process to control risk associated with such reliance on third parties. While we believe that sources of supply for raw materials and components are generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. Furthermore, the inability of these suppliers to meet their quality and/or delivery commitments to us, due to bankruptcy, natural disasters or any other reason, may result in significant costs and delay, including those in connection with the required recertification of parts from new suppliers with our customers or regulatory agencies.

Patents, Trademarks, Licenses and Distribution Rights

Our segments are not dependent upon any single patent or related group of patents, or any licenses or distribution rights. We own, or are licensed under, a large number of patents, patent applications and trademarks acquired over a period of many years, which relate to many of our products or improvements to those products and which are of importance to our business. From time to time, new patents and trademarks are obtained, and patent and trademark licenses and rights are acquired from others. We also have distribution rights of varying terms for a number of products and services produced by other companies. In our judgment, those rights are adequate for the conduct of our business. We believe that, in the aggregate, the rights under our patents, trademarks and licenses are generally important to our operations, but we do not consider any patent, trademark or related group of patents, or any licensing or distribution rights related to a specific process or product, to be of material importance in relation to our total business. See "Item 1A. Risk Factors" for further discussion.

We have registered trademarks for a number of our products and services, including Honeywell, Aclar, Ademco, Autolite, Bendix, Enovate, Fire-Lite, FRAM, Garrett, Hand Held, Holts, Jurid, Metrologic, MK, North, Notifier, Novar, Prestone, Redex, RMG, Simoniz, Spectra, System Sensor and UOP.

Research and Development

Our research activities are directed toward the discovery and development of new products, technologies and processes and the development of new uses for existing products. The Company's principal research and development activities are in the U.S., Europe, India and China.

Research and development (R&D) expense totaled $1,466, $1,330 and $1,543 million in 2010, 2009 and 2008, respectively. The increase in R&D expense of 10 percent in 2010 compared to 2009 was mainly due to additional product design and development costs in Automation and Control Solutions and increased expenditures on the development of products for new aircraft platforms. The decrease in R&D expense in 2009 compared to 2008 of 14 percent was consistent with our 15 percent decrease in net sales. R&D as a percentage of sales was 4.4, 4.3 and 4.2 percent in 2010, 2009 and 2008, respectively. Customer-sponsored (principally the U.S. Government) R&D activities amounted to an additional $874, $852 and $903 million in 2010, 2009 and 2008, respectively.

Environment

We are subject to various federal, state, local and foreign government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. It is our policy to comply with these requirements, and we believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage, and of resulting financial liability, in connection with our business. Some risk of environmental damage is, however, inherent in some of our operations and products, as it is with other companies engaged in similar businesses.

We are and have been engaged in the handling, manufacture, use and disposal of many substances classified as hazardous by one or more regulatory agencies. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury, and that our handling, manufacture, use and disposal of these substances are in accord with environmental and safety laws and regulations. It is possible, however, that future knowledge or other developments, such as improved capability to detect substances in the environment or increasingly strict environmental laws and standards and enforcement policies, could bring into question our current or past handling, manufacture, use or disposal of these substances.

Among other environmental requirements, we are subject to the federal superfund and similar state and foreign laws and regulations, under which we have been designated as a potentially responsible party that may be liable for cleanup costs associated with current and former operating sites and various hazardous waste sites, some of which are on the U.S. Environmental Protection Agency's Superfund priority list. Although, under some court interpretations of these laws, there is a possibility that a responsible party might have to bear more than its proportional share of the cleanup costs if it is unable to obtain appropriate contribution from other responsible parties, we have not had to bear significantly more than our proportional share in multi-party situations taken as a whole.

We do not believe that existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on the Company's business or markets that it serves, nor on its results of operations, capital expenditures or financial position. We will continue to monitor emerging developments in this area.

Further information, including the current status of significant environmental matters and the financial impact incurred for remediation of such environmental matters, if any, is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in Note 21 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data," and in "Item 1A. Risk Factors."

Employees

We have approximately 130,000 employees at December 31, 2010, of which approximately 53,000 were located in the United States.

Item 1A. Risk Factors

Cautionary Statement about Forward-Looking Statements

We have described many of the trends and other factors that drive our business and future results in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", including the overview of the Company and each of our segments and the discussion of their respective economic and other factors and areas of focus for 2011. These sections and other parts of this report (including this Item 1A) contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements are those that address activities, events or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management's assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties that can affect our performance in both the near-and long-term. These forward-looking statements should be considered in light of the information included in this Form 10-K, including, in particular, the factors discussed below.

Risk Factors

Our business, operating results, cash flows and financial condition are subject to the risks and uncertainties set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

Industry and economic conditions may adversely affect the market and operating conditions of our customers, which in turn can affect demand for our products and services and our results of operations.

The operating results of our segments are impacted by general global industry and economic conditions that can cause changes in spending and capital investment patterns, demand for our products and services and the level of our manufacturing and shipping costs. The operating results of our Aerospace segment, which generated 32 percent of our consolidated revenues in 2010, are directly tied to cyclical industry and economic conditions, including global demand for air travel as reflected in new aircraft production, the deferral or cancellation of orders for new aircraft, delays in launch schedules for new aircraft platforms, the retirement of aircraft, global flying hours, and business and general aviation aircraft utilization rates, as well as changes in customer buying patterns with respect to aftermarket parts, supplier consolidation, factory transitions, capacity constraints, and the level and mix of U.S. Government appropriations for defense and space programs (as further discussed in other risk factors below). The challenging operating environment faced by the commercial airline industry may be influenced by a wide variety of factors including global flying hours, aircraft fuel prices, labor issues, airline consolidation, airline insolvencies, terrorism and safety concerns as well as changes in regulations. Future terrorist actions or pandemic health issues could dramatically reduce both the demand for air travel and our Aerospace aftermarket sales and margins. The operating results of our Automation and Control Solutions (ACS) segment, which generated 41 percent of our consolidated revenues in 2010, are impacted by the level of global residential and commercial construction (including retrofits and upgrades), capital spending and operating expenditures on building and process automation, industrial plant capacity utilization and expansion, inventory levels in distribution channels, and global economic growth rates. Specialty Materials' operating results, which generated 14 percent of our consolidated revenues in 2010, are impacted by global economic growth rates, capacity utilization for chemical, industrial, refining, petrochemical and semiconductor plants, our customers' availability of capital for refinery construction and expansion, and commodity demand volatility. Transportation Systems' operating results, which generated 13 percent of our consolidated revenues in 2010, are impacted by global production and demand for automobiles and trucks equipped with turbochargers, and regulatory changes regarding automobile and truck emissions and fuel economy, delays in launch schedules for new automotive platforms, and consumer demand and spending for automotive aftermarket and car care products. Demand of global automotive and truck manufacturers will continue to be influenced by a wide variety of factors, including ability of consumers to obtain financing, ability to reduce operating costs and overall consumer and business confidence. Each of the segments is impacted by volatility in raw material prices (as further described below) and non-material inflation.

Raw material price fluctuations, the ability of key suppliers to meet quality and delivery requirements, or catastrophic events can increase the cost of our products and services, impact our ability to meet commitments to customers, and cause us to incur significant liabilities.

The cost of raw materials is a key element in the cost of our products, particularly in our Specialty Materials (benzene (the key component in phenol), natural gas, ethylene, fluorspar and sulfur), Transportation Systems (nickel, steel, other metals and ethylene glycol) and Aerospace (nickel, titanium and other metals) segments. Our inability to offset material price inflation through increased prices to customers, formula or long-term fixed price contracts with suppliers, productivity actions or through commodity hedges could adversely affect our results of operations.

Our manufacturing operations are also highly dependent upon the delivery of materials (including raw materials) by outside suppliers and their assembly of major components and subsystems used in our products in a timely manner and in full compliance with purchase order terms and conditions, quality standards, and applicable laws and regulations. In addition, many major components and product equipment items are procured or subcontracted on a single-source basis; in some circumstances these suppliers are the sole source of the component or equipment. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' ability to adjust delivery of long-lead time products during times of volatile demand. Our suppliers may fail to perform according to specifications as and when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance. The supply chains for our businesses could also be disrupted by suppliers' decisions to exit certain businesses and by external events such as natural disasters, extreme weather events, pandemic health issues, terrorist actions, labor disputes, governmental actions and legislative or regulatory changes (e.g., product certification or stewardship requirements, sourcing restrictions, climate change or greenhouse gas emission standards, etc.). Our inability to fill our supply needs would jeopardize our ability to fulfill obligations under commercial and government contracts, which could, in turn, result in reduced sales and profits, contract penalties or terminations, and damage to customer relationships. Transitions to new suppliers may result in significant costs and delays, including those related to the required recertification of parts obtained from new suppliers with our customers and/or regulatory agencies. In addition, because our businesses cannot always immediately adapt their cost structure to changing market conditions, our manufacturing capacity for certain products may at times exceed or fall short of our production requirements, which could adversely impact our operating costs, profitability and customer and supplier relationships.

Our facilities, distribution systems and information technology systems are subject to catastrophic loss due to, among other things fire, flood, terrorism or other natural or man-made disasters. If any of these facilities or systems were to experience a catastrophic loss, it could disrupt our operations, result in personal injury or property damage, damage relationships with our customers and result in large expenses to repair or replace the facilities or systems, as well as result in other liabilities and adverse impacts. The same risk can also arise from the failure of critical systems supplied by Honeywell to large industrial, refining and petrochemical customers.

Our future growth is largely dependent upon our ability to develop new technologies that achieve market acceptance with acceptable margins.

Our businesses operate in global markets that are characterized by rapidly changing technologies and evolving industry standards. Accordingly, our future growth rate depends upon a number of factors, including our ability to (i) identify emerging technological trends in our target end-markets, (ii) develop and maintain competitive products, (iii) enhance our products by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products, (iv) develop, manufacture and bring products to market quickly and cost-effectively, and (v) develop and retain individuals with the requisite expertise.

Our ability to develop new products based on technological innovation can affect our competitive position and requires the investment of significant resources. These development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new technologies or products on a timely basis or that meet the needs of our customers as fully as competitive offerings. In addition, the markets for our products may not develop or grow as we currently anticipate. The failure of our technologies or products to gain market acceptance due to more attractive offerings by our competitors could significantly reduce our revenues and adversely affect our competitive standing and prospects.

Protecting our intellectual property is critical to our innovation efforts.

We own or are licensed under a large number of U.S. and non-U.S. patents and patent applications, trademarks and copyrights. Our intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties or we may be unable to maintain, renew or enter into new licenses of third party proprietary intellectual property on commercially reasonable terms. In some non-U.S. countries, laws affecting intellectual property are uncertain in their application, which can affect the scope or enforceability of our patents and other intellectual property rights. Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, subject us to judgments, penalties and significant litigation costs, and/or temporarily or permanently disrupt our sales and marketing of the affected products or services.

Our systems are subject to risks from unlawful attempts by others to gain unauthorized access to our information technology systems through the Internet. The theft and/or unauthorized use or production of our trade secrets and other confidential business information could reduce the value of our investment in R&D and product development and could subject us to claims by third parties relating to loss of their confidential or proprietary information.

An increasing percentage of our sales and operations is in non-U.S. jurisdictions and is subject to the economic, political, regulatory and other risks of international operations.

Our international operations, including U.S. exports, comprise a growing proportion of our operating results. Our strategy calls for increasing sales to and operations in overseas markets, including developing markets such as Mexico, Brazil, China, India, Malaysia, the Middle East and Eastern Europe.

In 2010, 52 percent of our total sales (including products manufactured in the U.S. and in international locations) were outside of the U.S. including 28 percent in Europe and 11 percent in Asia. Risks related to international operations include exchange control regulations, wage and price controls, employment regulations, foreign investment laws, import, export and other trade restrictions (such as embargoes), changes in regulations regarding transactions with state-owned enterprises, nationalization of private enterprises, government instability, and our ability to hire and maintain qualified staff and maintain the safety of our employees in these regions. We are also subject to U.S. laws prohibiting companies from doing business in certain countries, or restricting the type of business that may be conducted in these countries. The cost of compliance with increasingly complex and often conflicting regulations worldwide can also impair our flexibility in modifying product, marketing, pricing or other strategies for growing our businesses, as well as our ability to improve productivity and maintain acceptable operating margins.

As we continue to grow our businesses internationally, our operating results could be increasingly affected by the relative strength of the European and Asian economies and the impact of exchange rate fluctuations. We do have a policy to reduce the risk of volatility through hedging activities, but such activities bear a financial cost and may not always be available to us and may not be successful in eliminating such volatility.

We may be required to recognize impairment charges for our long-lived assets or available for sale investments.

At December 31, 2010, the net carrying value of long-lived assets (property, plant and equipment, goodwill and other intangible assets) and available for sale securities totaled approximately $19.0 billion and $0.3 billion, respectively. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may result in impairments to goodwill and other long-lived assets. An other than temporary decline in the market value of our available for sale securities may also result in an impairment charge. Future impairment charges could significantly affect our results of operations in the periods recognized. Impairment charges would also reduce our consolidated shareowners' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to the public debt and equity markets.

A change in the level of U.S. Government defense and space funding or the mix of programs to which such funding is allocated could adversely impact Aerospace's defense and space sales and results of operations.

Sales of our defense and space-related products and services are largely dependent upon government budgets, particularly the U.S. defense budget. Sales as a prime contractor and subcontractor to the U.S. Department of Defense comprised approximately 33 and 10 percent of Aerospace and total sales, respectively, for the year ended December 31, 2010. We cannot predict the extent to which total funding and/or funding for individual programs will be included, increased or reduced as part of the 2011 and subsequent budgets ultimately approved by Congress, or be included in the scope of separate supplemental appropriations. We also cannot predict the impact of potential changes in priorities due to military transformation and planning and/or the nature of war-related activity on existing, follow-on or replacement programs. A shift in defense or space spending to programs in which we do not participate and/or reductions in funding for or termination of existing programs could adversely impact our results of operations.

As a supplier of military and other equipment to the U.S. Government, we are subject to unusual risks, such as the right of the U.S. Government to terminate contracts for convenience and to conduct audits and investigations of our operations and performance.

In addition to normal business risks, companies like Honeywell that supply military and other equipment to the U.S. Government are subject to unusual risks, including dependence on Congressional appropriations and administrative allotment of funds, changes in governmental procurement legislation and regulations and other policies that reflect military and political developments, significant changes in contract scheduling, complexity of designs and the rapidity with which they become obsolete, necessity for constant design improvements, intense competition for U.S. Government business necessitating increases in time and investment for design and development, difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work, and other factors characteristic of the industry, such as contract award protests and delays in the timing of contract approvals. Changes are customary over the life of U.S. Government contracts, particularly development contracts, and generally result in adjustments of contract prices.

Our contracts with the U.S. Government are subject to audits. Like many other government contractors, we have received audit reports that recommend downward price adjustments to certain contracts or changes to certain accounting systems or controls to comply with various government regulations. We have made adjustments and paid voluntary refunds in appropriate cases and may do so in the future.

U.S. Government contracts are subject to termination by the government, either for the convenience of the government or for our failure to perform under the applicable contract. In the case of a termination for convenience, we are typically entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If a contract is terminated by the government for our failure to perform we could be liable for additional costs incurred by the government in acquiring undelivered goods or services from any other source and any other damages suffered by the government.

We are also subject to government investigations of business practices and compliance with government procurement regulations. If Honeywell or one of its businesses were charged with wrongdoing as a result of any such investigation or other government investigations (including violations of certain environmental or export laws), it could be suspended from bidding on or receiving awards of new government contracts, suspended from contract performance pending the completion of legal proceedings and/or have its export privileges suspended. The U.S. Government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other egregious misconduct. Debarment generally does not exceed three years.

Our reputation and ability to do business may be impacted by the improper conduct of employees, agents or business partners.

We cannot ensure that our extensive compliance controls, policies and procedures will in all instances protect us from reckless or criminal acts committed by our employees, agents or business partners that would violate the laws of the jurisdictions in which the Company operates, including laws governing payments to government officials, competition and data privacy. Any improper actions could subject us to civil or criminal investigations, monetary and non-monetary penalties and could adversely impact our ability to conduct business, results of operations and reputation.

Changes in legislation or government regulations or policies can have a significant impact on our results of operations.

The sales and margins of each of our segments are directly impacted by government regulations. Safety and performance regulations (including mandates of the Federal Aviation Administration and other similar international regulatory bodies requiring the installation of equipment on aircraft), product certification requirements and government procurement practices can impact Aerospace sales, research and development expenditures, operating costs and profitability. The demand for and cost of providing Automation and Control Solutions products, services and solutions can be impacted by fire, security, safety, health care, environmental and energy efficiency standards and regulations. Specialty Materials' results of operations can be affected by environmental (e.g. government regulation of fluorocarbons), safety and energy efficiency standards and regulations, while emissions and energy efficiency standards and regulations can impact the demand for turbochargers in our Transportation Systems segment. Legislation or regulations regarding areas such as labor and employment, employee benefit plans, tax, health, safety and environmental matters, import, export and trade, intellectual property, product certification, and product liability may impact the results of each of our operating segments and our consolidated results.

Completed acquisitions may not perform as anticipated or be integrated as planned, and divestitures may not occur as planned.

We regularly review our portfolio of businesses and pursue growth through acquisitions and seek to divest non-core businesses. We may not be able to complete transactions on favorable terms, on a timely basis or at all. In addition, our results of operations and cash flows may be adversely impacted by (i) the failure of acquired businesses to meet or exceed expected returns, (ii) the discovery of unanticipated issues or liabilities, (iii) the failure to integrate acquired businesses into Honeywell on schedule and/or to achieve synergies in the planned amount or within the expected timeframe, (iv) the inability to dispose of non-core assets and businesses on satisfactory terms and conditions and within the expected timeframe, and (v) the degree of protection provided by indemnities from sellers of acquired companies and the obligations under indemnities provided to purchasers of our divested businesses.

We cannot predict with certainty the outcome of litigation matters, government proceedings and other contingencies and uncertainties.

We are subject to a number of lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability (including asbestos), prior acquisitions and divestitures, employment, employee benefits plans, intellectual property, import and export matters and environmental, health and safety matters. Resolution of these matters can be prolonged and costly, and the ultimate results or judgments are uncertain due to the inherent uncertainty in litigation and other proceedings. Moreover, our potential liabilities are subject to change over time due to new developments, changes in settlement strategy or the impact of evidentiary requirements, and we may become subject to or be required to pay damage awards or settlements that could have a material adverse effect on our results of operations, cash flows and financial condition. While we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover the total amount of all insured claims and liabilities. It also is not possible to obtain insurance to protect against all our operational risks and liabilities. The incurrence of significant liabilities for which there is no or insufficient insurance coverage could adversely affect our results of operations, cash flows, liquidity and financial condition.

Our operations and the prior operations of predecessor companies expose us to the risk of material environmental liabilities.

Mainly because of past operations and operations of predecessor companies, we are subject to potentially material liabilities related to the remediation of environmental hazards and to claims of personal injuries or property damages that may be caused by hazardous substance releases and exposures. We have incurred remedial response and voluntary clean-up costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. We are subject to various federal, state, local and foreign government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. These laws and regulations can impose substantial fines and criminal sanctions for violations, and require installation of costly equipment or operational changes to limit emissions and/or decrease the likelihood of accidental hazardous substance releases. We incur, and expect to continue to incur capital and operating costs to comply with these laws and regulations. In addition, changes in laws, regulations and enforcement of policies, the discovery of previously unknown contamination or new technology or information related to individual sites, the establishment of stricter state or federal toxicity standards with respect to certain contaminants, or the imposition of new clean-up requirements or remedial techniques could require us to incur costs in the future that would have a negative effect on our financial condition or results of operations.

Our expenses include significant costs related to employee and retiree health benefits.

With approximately 130,000 employees, including approximately 53,000 in the U.S., our expenses relating to employee health and retiree health benefits are significant. In recent years, we have experienced significant increases in certain of these costs, largely as a result of economic factors beyond our control, in particular, ongoing increases in health care costs well in excess of the rate of inflation. Continued increasing health-care costs, legislative or regulatory changes, and volatility in discount rates, as well as changes in other assumptions used to calculate retiree health benefit expenses, may adversely affect our financial position and results of operations.

Risks related to our defined benefit pension plans may adversely impact our results of operations and cash flow.

Significant changes in actual investment return on pension assets, discount rates, and other factors could adversely affect our results of operations and pension contributions in future periods. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for our U.S. pension plans may become more significant. However, the ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations. For a discussion regarding the significant assumptions used to estimate pension expense, including discount rate and the expected long-term rate of return on plan assets, and how our financial statements can be affected by pension plan accounting policies, see "Critical Accounting Policies" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Additional tax expense or additional tax exposures could affect our future profitability.

We are subject to income taxes in both the United States and various non-U.S. jurisdictions, and our domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. In 2010, our tax expense represented 28.4 percent of our income before tax, and includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could effect the valuation of our deferred tax assets. Our future results could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures.

Volatility of credit markets or macro-economic factors could adversely affect our business.

Changes in U.S. and global financial and equity markets, including market disruptions, limited liquidity, and interest rate volatility, may increase the cost of financing as well as the risks of refinancing maturing debt. In addition, our borrowing costs can be affected by short and long-term ratings assigned by independent rating agencies. A decrease in these ratings could increase our cost of borrowing.

Delays in our customers' ability to obtain financing, or the unavailability of financing to our customers, could adversely affect our results of operations and cash flow. The inability of our suppliers to obtain financing could result in the need to transition to alternate suppliers, which could result in significant incremental cost and delay, as discussed above. Lastly, disruptions in the U.S. and global financial markets could impact the financial institutions with which we do business.

Item 1B. Unresolved Staff Comments

Not Applicable

Item 2. Properties

We have approximately 1,300 locations consisting of plants, research laboratories, sales offices and other facilities. Our headquarters and administrative complex is located in Morris Township, New Jersey. Our plants are generally located to serve large marketing areas and to provide accessibility to raw materials and labor pools. Our properties are generally maintained in good operating condition. Utilization of these plants may vary with sales to customers and other business conditions; however, no major operating facility is significantly idle. We own or lease warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. We also lease space for administrative and sales staffs. Our properties and equipment are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

Our principal plants, which are owned in fee unless otherwise indicated, are as follows:

	Aerospace	
Anniston, AL (leased) Glendale, AZ (leased) Phoenix, AZ Tempe, AZ Tucson, AZ Torrance, CA Clearwater, FL	South Bend, IN Olathe, KS Minneapolis, MN (partially leased) Plymouth, MN Rocky Mount, NC Albuquerque, NM Urbana, OH	Greer, SC Toronto, Canada Olomouc, Czech Republic (leased) Raunheim, Germany Penang, Malaysia Singapore (leased) Yeovil, UK (leased)
	Automation and Control Solutions	
San Diego, CA (leased) Northford, CT Freeport, IL St. Charles, IL (leased) Golden Valley, MN Houston, TX (leased) York, PA (leased)	Pleasant Prairie, WI (leased) Shenzhen, China (leased) Suzhou, China Mosbach, Germany Neuss, Germany Schonaich, Germany (leased) Pune, India (leased)	Chihuahua, Mexico Juarez, Mexico (partially leased) Tijuana, Mexico (leased) Emmen, Netherlands Newhouse, Scotland
	Specialty Materials	
Mobile, AL Des Plaines, IL Metropolis, IL Baton Rouge, LA	Geismar, LA Shreveport, LA Pottsville, PA Orange, TX Chesterfield, VA	Colonial Heights, VA Hopewell, VA Spokane, WA Seelze, Germany
	Transportation Systems	
Shanghai, China Conde, France Glinde, Germany	Atessa, Italy Kodama, Japan Ansan, Korea (leased)	Mexicali, Mexico (partially leased) Bucharest, Romania Pune India

Item 3. Legal Proceedings

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 21 of Notes to Financial Statements.

Environmental Matters Involving Potential Monetary Sanctions in Excess of $100,000

Although the outcome of the matters discussed below cannot be predicted with certainty, we do not believe that any of them, individually or in the aggregate, will have a material adverse effect on our consolidated financial position, consolidated results of operations or operating cash flows.

The United States Environmental Protection Agency and the United States Department of Justice ("federal authorities") are investigating whether the storage of certain sludges generated during uranium hexafluoride production at our Metropolis, Illinois facility has been in compliance with the requirements of the Resource Conservation and Recovery Act. The federal authorities have convened a grand jury in this matter. The Company has cooperated fully in the investigation and has been engaged in discussions with the federal authorities regarding a resolution of this matter, which the Company expects to finalize in the first quarter of 2011. The storage issue at the Metropolis site was also previously voluntarily disclosed to the Illinois Environmental Protection Agency, with whom Honeywell has been working to resolve related civil environmental claims.

In November 2010 Honeywell reached a final settlement agreement with the New York State Department of Environmental Conservation to settle allegations that Honeywell failed to properly close out waste storage areas associated with legacy operations in Syracuse, New York, which areas are known as the Solvay Settling Basins. Under the terms of the settlement, Honeywell will pay a fine of $100,000 and implement certain environmental projects in the area.

The United States Environmental Protection Agency and the United States Department of Justice are investigating whether the Company's manufacturing facility in Hopewell, Virginia is in compliance with the requirements of the Clean Air Act and the facility's air operating permit. Based on these investigations, the federal authorities have issued notices of violation with respect to the facility's benzene waste operations, leak detection and repair program, emissions of nitrogen oxides and emissions of particulate matter. The Company has entered into negotiations with federal authorities to resolve the alleged violations.

Executive Officers of the Registrant

The executive officers of Honeywell, listed as follows, are elected annually by the Board of Directors. There are no family relationships among them.

Name, Age, Date First Elected an Executive Officer	Business Experience
David M. Cote, 58(a) 2002	Chairman of the Board and Chief Executive Officer since July 2002.
Alexandre Ismail, 45 2009	President and Chief Executive Officer Transportation Systems since April 2009. President Turbo Technologies from November 2008 to April 2009. President Global Passengers Vehicles from August 2006 to November 2008. Vice President and General Manager Turbo Technologies EMEA & India from September 2003 to August 2006.
Roger Fradin, 57 2004	President and Chief Executive Officer Automation and Control Solutions since January 2004.
Timothy O. Mahoney, 54 2009	President and Chief Executive Officer Aerospace since September 2009. Vice President Aerospace Engineering and Technology and Chief Technology Officer from March 2007 to August 2009. President of Air Transport and Regional from July 2005 to March 2007.
Andreas C. Kramvis, 58 2008	President and Chief Executive Officer Specialty Materials since March 2008. President of Environmental and Combustion Controls from September 2002 to February 2008.
David J. Anderson, 61 2003	Senior Vice President and Chief Financial Officer since June 2003.
Krishna Mikkilineni, 51 2010	Senior Vice President Engineering and Operations since April 2010 and President Honeywell Technology Solutions since January 2009. Vice President Honeywell Technology Solutions from July 2002 to January 2009.
Katherine L. Adams, 46 2009	Senior Vice President and General Counsel since April 2009. Vice President and General Counsel from September 2008 to April 2009. Vice President and General Counsel for Specialty Materials from February 2005 to September 2008.
Mark R. James, 49 2007	Senior Vice President Human Resources and Communications since November 2007. Vice President of Human Resources and Communications for Aerospace from October 2004 to November 2007.

(a) Also a Director.

Part II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

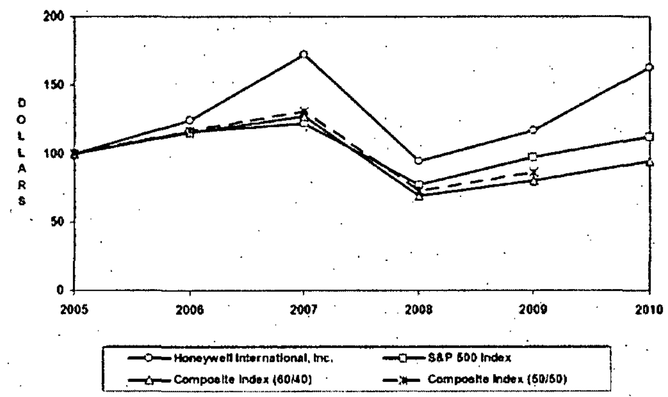
Market and dividend information for Honeywell's common stock is included in Note 26 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The number of record holders of our common stock at December 31, 2010 was 61,830.

Honeywell did not purchase any of its common stock, par value $1 per share, for the year ending December 31, 2010. The Board of Directors has authorized the repurchase of up to a total of $3 billion of Honeywell common stock, which amount includes $1.3 billion that remained available under the Company's previously reported share repurchase program. Honeywell presently expects to repurchase outstanding shares from time to time during 2011 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

Performance Graph

The following graph compares the five-year cumulative total return on our Common Stock to the total returns on the Standard & Poor's 500 Stock Index and a composite of Standard & Poor's Industrial Conglomerates and Aerospace and Defense indices, on a 60%/40% weighted basis, respectively (the "Composite Index"). The weighting of the components of the Composite Index are based on our segments' relative contribution to total segment profit. In prior years, these components had been equally weighted. The change in weighting reflects the growth, both organic and through acquisitions, in the Company's non-Aerospace businesses. The selection of the Industrial Conglomerates component of the Composite Index reflects the diverse and distinct range of non-aerospace businesses conducted by Honeywell. Per SEC rules, we are including the Composite Index on an equally weighted basis in the graph below with respect to 2005-2009. The annual changes for the five-year period shown in the graph are based on the assumption that $100 had been invested in Honeywell stock and each index on December 31, 2005 and that all dividends were reinvested.



	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010
Honeywell	100	124.17	172.15	94.08	116.49	162.52
S&P 500®	100	115.79	122.16	76.96	97.33	111.99
Composite Index (60/40)	100	115.23	127.14	69.27	80.32	94.19
Composite Index (50/50)	100	116.89	130.72	73.18	85.91	

HONEYWELL INTERNATIONAL INC.

Information in Items 6, 7, 8 and Exhibit 12 for the years ended December 31, 2009, 2008, 2007 and 2006 have been revised, as applicable, for the retrospective application of our change in accounting policy for recognizing pension expense. See Note 1 of the Notes to the Financial Statements for a discussion of the change and the impacts for the years ended December 31, 2009 and 2008.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2010	2009 (1)	2008 (1)	2007 (1)(2)	2006 (1)(3)
	(Dollars in millions, except per share amounts)				
Results of Operations					
Net sales	$ 33,370	$ 30,908	$ 36,556	$ 34,589	$ 31,367
Net income attributable to Honeywell (4)	2,022	1,548	806	2,594	2,284
Per Common Share					
Earnings from continuing operations:					
Basic	2.61	2.06	1.09	3.39	2.78
Assuming dilution	2.59	2.05	1.08	3.35	2.76
Dividends	1.21	1.21	1.10	1.00	0.9075
Financial Position at Year-End					
Property, plant and equipment—net	4,840	4,847	4,934	4,985	4,797
Total assets	37,834	35,993	35,570	33,805	30,941
Short-term debt	889	1,361	2,510	2,238	1,154
Long-term debt	5,755	6,246	5,865	5,419	3,909
Total debt	6,644	7,607	8,375	7,657	5,063
Shareowners' equity (5)(6)	10,787	8,971	7,140	9,293	9,777

(1) Reflects the retrospective change in our method of recognizing pension expense. See Note 1 of Notes to Financial Statements for a discussion of the change and the impacts of the change for the years ended December 31, 2009 and 2008.

(2) For the year ended December 31, 2007 the retrospective change in recognizing pension expense increased Net income attributable to Honeywell by $150 million, Earnings per share, basic by $0.20, Earnings per share, assuming dilution by $0.19.

(3) For the year ended December 31, 2006 the retrospective change in recognizing pension expense increased Net income attributable to Honeywell by $206 million, Earnings per share, basic by $0.25, Earnings per share, assuming dilution by $0.25.

(4) For the year ended December 31, 2008 Net income attributable to Honeywell includes a $417 million, net of tax gain resulting from the sale of our Consumables Solutions business as well as a charge of $465 million for environmental liabilities deemed probable and reasonably estimable during 2008 (see Notes 2 and 3 of Notes to Financial Statements, respectively).

(5) The retrospective change in our method of recognizing pension impacted Shareowners' equity for the years ended December 31 as follows: 2009- increase of $17 million and 2008- decrease of $128 million.

(6) For the year ended December 31, 2006 shareowners' equity includes a reduction of $414 million related to the adoption of revised accounting guidance for "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans".

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions, except per share amounts)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. ("Honeywell") for the three years ended December 31, 2010. All references to Notes related to Notes to the Financial Statements in "Item 8-Financial Statements and Supplementary Data".

CONSOLIDATED RESULTS OF OPERATIONS

Net Sales

	2010	2009	2008
Net sales	$ 33,370	$ 30,908	$ 36,556
% change compared with prior period	8%	(15)%	

The change in net sales compared to the prior year period is attributable to the following:

	2010 Versus 2009	2009 Versus 2008
Volume	5%	(14)%
Price	2%	0%
Acquisitions/Divestitures	1%	1%
Foreign Exchange	0%	(2)%
	8%	(15)%

A discussion of net sales by segment can be found in the Review of Business Segments section of this MD&A.

Cost of Products and Services Sold

	2010	2009	2008
Cost of products and services sold	$ 25,519	$ 24,012	$ 31,118
% change compared with prior period	6%	(23)%	
Gross Margin percentage	23.5%	22.3%	14.9%

Cost of products and services sold increased by $1,507 million or 6 percent in 2010 compared with 2009 principally due to an estimated increase in direct material costs and indirect costs of approximately $1,300 million and $300 million, respectively, driven substantially by an 8 percent increase in sales as a result of the factors discussed above and in the Review of Business Segments section of this MD&A and an $150 million increase in Repositioning and Other Charges (see Note 3 of Notes to Financial Statements), partially offset by a $300 million decrease in pension expense.

Gross margin percentage increased by 1.2 percentage points in 2010 compared with 2009 primarily due to lower pension expense (approximate 1 percentage point impact) and higher sales volume driven by our Automation and Control Solutions segment, Specialty Materials segment and Transportation Systems segment (approximate 0.7 percentage point impact), partially offset by higher repositioning and other charges (approximate 0.4 percentage point impact).

Cost of products and services sold decreased by $7,106 million or 23 percent in the 2009 compared with 2008. The decrease is primarily due to lower pension expense, lower sales as a result of the factors discussed within the Review of Business Segments section of this MD&A, lower material costs, reduced labor costs (reflecting reduced census, work scheduled reductions, benefits from prior repositioning actions and lower incentive compensation), the positive impact of indirect cost savings initiatives across each of our Business Segments, and lower repositioning charges.

Gross margin percentage increased by 7.4 percentage points in 2009 compared with 2008, primarily due to lower pension expense, increases of 2.9 and 0.6 percent, respectively, in our Specialty Materials and Automation & Controls Solutions segments, as a result of the cost savings initiatives discussed above, and lower repositioning charges, partially offset by lower margins in our Transportation Systems and Aerospace Solutions segments of 3.2 and 0.7 percent, respectively, due to lower sales partially offset by the impact of cost savings initiatives.

Selling, General and Administrative Expenses

	2010	2009	2008
Selling, general and administrative expense	$ 4,717	$ 4,443	$ 5,130
Percent of sales	14.1%	14.4%	14.0%

Selling, general and administrative expenses (SG&A) decreased as a percentage of sales by 0.3 percent in 2010 compared to the 2009 driven by the impact of higher sales volume, discussed above, and lower pension expense, partially offset by an estimated $500 million increase in labor costs (reflecting the absence of prior period labor cost actions).

SG&A as a percentage of sales increased by 0.4 of a percentage point in 2009 compared with 2008. The increase as a percentage of sales was driven by lower sales volumes, substantially offset by the positive impact of i) lower pension expense, (ii) indirect cost savings initiatives across each of our Business Segments, iii) reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation) and iv) lower repositioning charges.

Other (Income) Expense

	2010	2009	2008
Equity (income)/loss of affiliated companies	$ (29)	$ (26)	$ (63)
Gain on sale of non-strategic businesses and assets	—	(87)	(635)
Interest income	(40)	(33)	(102)
Foreign exchange	13	45	52
Other, net	(39)	46	—
	$ (95)	$ (55)	$ (748)

Other income increased by $40 million in 2010 compared to 2009 due primarily to i) a $62 million pre-tax gain related to the consolidation of a joint venture within our Specialty Materials segment in the third quarter of 2010 (see Note 4 of Notes to Financial statements) for further details, ii) the absence of an other-than-temporary impairment charge of $62 million in the second quarter of 2009, partially offset by the absence of a $50 million deconsolidation gain related to a subsidiary within our Automation and Control Solutions segment in 2009 and $22 million of acquisition related costs in 2010.

Other income decreased by $693 million in 2009 compared to 2008 primarily due to i) a lower gain on sale of non-strategic businesses and assets due to the gain on the sale of our Consumables Solutions business in 2008 partially offset by a gain related to the deconsolidation of a subsidiary within our Automation and Control Solutions segment in 2009 (See Note 4 to the financial statements) and ii) lower interest income primarily due to lower interest rates on cash balances.

Interest and Other Financial Charges

	2010	2009	2008
Interest and other financial charges	$ 386	$ 459	$ 456
% change compared with prior period	(16)%	1%	

Interest and other financial charges decreased by 16 percent in 2010 compared with 2009 primarily due to lower debt balances and lower borrowing costs.

Interest and other financial charges increased by 1 percent in 2009 compared with 2008 due to lower debt balances offset by higher borrowing costs on term debt.

Tax Expense

	2010	2009	2008
Tax expense	$ 808	$ 465	$ (226)
Effective tax rate	28.4%	22.7%	(37.7)%

The effective tax rate increased by 5.7 percentage points in 2010 compared with 2009 primarily due to a change in the mix of earnings related to lower U.S. pension expense, the impact of an enacted change in the tax treatment of the Medicare Part D program, the absence of manufacturing incentives, a decreased impact from the settlement of audits and an increase in the foreign effective tax rate. The foreign effective tax rate increased by approximately 7 percentage points which primarily consisted of i) a 6 percentage point impact from the absence of tax benefits related to foreign exchange and investment losses and ii) a 0.5 percentage points impact from increased valuation allowances on net operating loss. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign rates.

The effective tax rate increased by 60.4 percentage points in 2009 compared to 2008 primarily due to a change in the mix of earnings related to lower U.S. pension expense and to a lesser extent, a decreased impact from the settlement of audits. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign rates.

In 2011, the effective tax rate could change based upon the Company's operating results and the outcome of tax positions taken regarding previously filed tax returns currently under audit by various Federal, State and foreign tax authorities, several of which may be finalized in the foreseeable future. The Company believes that it has adequate reserves for these matters, the outcome of which could materially impact the results of operations and operating cash flows in the period they are resolved.

Net Income Attributable to Honeywell

	2010	2009	2008
Net income attributable to Honeywell	$ 2,022	$ 1,548	$ 806
Earnings per share of common stock – assuming dilution	$ 2.59	$ 2.05	$ 1.08

Earnings per share of common stock – assuming dilution increased by $0.54 per share in 2010 compared with 2009 primarily due to increased segment profit in our Automation and Control Solutions, Specialty Materials and Transportation Systems segments and lower pension expense, partially offset by higher tax expense and higher repositioning and other charges.

Earnings per share of common stock – assuming dilution increased by $0.97 per share in 2009 compared with 2008 primarily relates to lower pension expense and lower repositioning charges, partially offset by a decrease in segment profit in each of our business segments, decreased Other (Income) Expense, as discussed above, and an increase in the number of shares outstanding.

For further discussion of segment results, see "Review of Business Segments".

BUSINESS OVERVIEW

This Business Overview provides a summary of Honeywell and its four reportable operating segments (Aerospace, Automation and Control Solutions, Specialty Materials and Transportation Systems), including their respective areas of focus for 2011 and the relevant economic and other factors impacting their results, and a discussion of each segment's results for the three years ended December 31, 2010. Each of these segments is comprised of various product and service classes that serve multiple end markets. See Note 23 to the financial statements for further information on our reportable segments and our definition of segment profit.

Economic and Other Factors

In addition to the factors listed below with respect to each of our operating segments, our consolidated operating results are principally driven by:

- Impact of global economic growth rates (U.S., Europe and emerging regions) and industry conditions on demand in our key end markets;
- Overall sales mix, in particular the mix of Aerospace original equipment and aftermarket sales and the mix of Automation and Control Solutions (ACS) products and services sales;
- The extent to which cost savings from productivity actions are able to offset or exceed the impact of material and non-material inflation;
- The impact of the pension discount rate and asset returns on pension expense, including mark-to-market adjustments, and funding requirements; and
- The impact of changes in foreign currency exchange rate, particularly the U.S. dollar-Euro exchange rate.

Areas of Focus for 2011

The areas of focus for 2011, which are generally applicable to each of our operating segments, include:

- Driving profitable growth by building innovative products that address customer needs;
- Achieving sales growth, technological excellence and manufacturing capability through global expansion, especially focused on emerging regions in China, India and the Middle East;
- Proactively managing raw material costs through formula and long term supply agreements, price increases and hedging activities, where feasible;
- Driving cash flow conversion through effective working capital management and capital investment in our businesses, thereby enhancing liquidity, repayment of debt, strategic acquisitions, and the ability to return value to shareholders;
- Actively monitoring trends in short-cycle end markets, such as the Transportation Systems Turbo business, ACS Products businesses, Aerospace commercial after-market and Specialty Materials Advanced Materials, and continuing to take proactive cost actions;
- Aligning and prioritizing investments in long-term growth considering short-term demand volatility;
- Driving productivity savings through execution of repositioning actions;
- Controlling discretionary spending levels with focus on non-customer related costs;
- Ensuring preparedness to maximize performance in response to improving end market conditions while controlling costs by proactively managing capacity utilization, supply chain and inventory demand;
- Utilizing our enablers Honeywell Operating System (HOS), Functional Transformation and Velocity Product Development (VPD) to standardize the way we work, increase quality and reduce the costs of product manufacturing, reduce costs and enhance the quality of our administrative functions and improve business operations through investments in systems and process improvements;
- Monitoring both suppliers and customers for signs of liquidity constraints, limiting exposure to any resulting inability to meet delivery commitments or pay amounts due, and identifying alternate sources of supply as necessary; and
- Controlling Corporate costs, including costs incurred for asbestos and environmental matters, pension and other post-retirement expenses and tax expense.

Review of Business Segments

	2010	2009	2008
Net Sales			
Aerospace			
Product	$ 5,868	$ 5,930	$ 7,676
Service	4,815	4,833	4,974
Total	10,683	10,763	12,650
Automation and Control Solutions			
Product	11,733	10,699	11,953
Service	2,016	1,912	2,065
Total	13,749	12,611	14,018
Specialty Materials			
Product	4,449	3,895	4,961
Service	277	249	305
Total	4,726	4,144	5,266
Transportation Systems			
Product	4,212	3,389	4,622
Service	—	—	—
Total	4,212	3,389	4,622
Corporate			
Product	—	—	—
Service	—	1	—
Total	—	1	—
	$ 33,370	$ 30,908	$ 36,556
Segment Profit			
Aerospace	$ 1,835	$ 1,893	$ 2,300
Automation and Control Solutions	1,770	1,588	1,622
Specialty Materials	749	605	721
Transportation Systems	473	156	406
Corporate	(211)	(145)	(204)
	$ 4,616	$ 4,097	$ 4,845

A reconciliation of segment profit to consolidated income from continuing operations before taxes are as follows:

	Years Ended December 31, 2010	2009	2008
Segment Profit	$ 4,616	$ 4,097	$ 4,845
Other income/ (expense)(1)	66	29	685
Interest and other financial charges	(386)	(459)	(456)
Stock compensation expense(2)	(164)	(118)	(128)
Pension expense- ongoing(2)(3)	(189)	(296)	91
Pension mark to market adjustment(2)(3)	(471)	(741)	(3,290)
Other postretirement income/(expense)(2)	(29)	15	(135)
Repositioning and other charges (2)	(600)	(478)	(1,012)
Income before taxes(3)	$ 2,843	$ 2,049	$ 600

(1) Equity income/(loss) of affiliated companies is included in Segment Profit.

(2) Amounts included in cost of products and services sold and selling, general and administrative expenses.

(3) As revised for the change in our method of recognizing pension expense. See Note 1 of Notes to Financial Statements for a discussion of the change and the impacts of the change for the years ended December 31, 2009 and 2008.

	2010	2009	2008	% Change 2010 Versus 2009	% Change 2009 Versus 2008
Aerospace Sales					
Commercial:					
Air transport and regional					
Original equipment	$ 1,362	$ 1,396	$ 1,766	(2)%	(21)%
Aftermarket	2,437	2,419	2,866	1%	(16)%
Business and general aviation					
Original equipment	513	709	1,459	(28)%	(51)%
Aftermarket	976	902	1,227	8%	(26)%
Defense and Space Sales	5,395	5,337	5,332	1%	0%
Total Aerospace Sales	10,683	10,763	12,650		
Automation and Control Solutions Sales					
Products	8,467	7,627	8,562	11%	(11)%
Solutions	5,282	4,984	5,456	6%	(9)%
Total Automation and Control Solutions Sales	13,749	12,611	14,018		
Specialty Materials Sales					
UOP	1,556	1,574	1,953	(1)%	(19)%
Advanced Materials	3,170	2,570	3,313	23%	(22)%
Total Specialty Materials Sales	4,726	4,144	5,266		
Transportation Systems Sales					
Turbo Technologies	3,192	2,432	3,582	31%	(32)%
Consumer Products Group	1,020	957	1,040	7%	(8)%
Total Transportation Systems Sales	4,212	3,389	4,622		
Corporate	—	1	—		
Net Sales	$ 33,370	$ 30,908	$ 36,556		

Aerospace

Overview

Aerospace is a leading global supplier of aircraft engines, avionics, and related products and services for aircraft manufacturers, airlines, aircraft operators, military services, and defense and space contractors. Our Aerospace products and services include auxiliary power units, propulsion engines, environmental control systems, electric power systems, engine controls, flight safety, communications, navigation, radar and surveillance systems, aircraft lighting, management and technical services, logistics services, advanced systems and instruments, aircraft wheels and brakes and repair and overhaul services. Aerospace sells its products to original equipment (OE) manufacturers in the air transport, regional, business and general aviation aircraft segments, and provides spare parts and repair and maintenance services for the aftermarket (principally to aircraft operators). The United States Government is also a major customer for our defense and space products.

Economic and Other Factors

Aerospace operating results are principally driven by:

- New aircraft production rates and delivery schedules set by commercial air transport, regional jet, business and general aviation OE manufacturers, as well as airline profitability, platform mix and retirement of aircraft from service;

- Global demand for commercial air travel as reflected in global flying hours and utilization rates for corporate and general aviation aircraft, as well as the demand for spare parts and maintenance and repair services for aircraft currently in use;
- Level and mix of U.S. Government appropriations for defense and space programs and military activity; and
- Availability and price volatility of raw materials such as titanium and other metals.

Aerospace

	2010	2009	Change	2008	Change
Net sales	$ 10,683	$ 10,763	(1)%	$ 12,650	(15)%
Cost of products and services sold	8,099	8,099		9,426	
Selling, general and administrative expenses	553	570		721	
Other	196	201		203	
Segment profit	$ 1,835	$ 1,893	(3)%	$ 2,300	(18)%

Factors Contributing to Year-Over-Year Change

	2010 vs. 2009		2009 vs. 2008	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	0%	0%	(13)%	(18)%
Acquisitions and divestitures, net	0%	0%	(2)%	(2)%
Other	(1)%	(3)%	—	2%
Total % Change	(1)%	(3)%	(15)%	(18)%

Aerospace sales by major customer end-markets were as follows:

	% of Aerospace Sales			% Change in Sales	
Customer End-Markets	2010	2009	2008	2010 Versus 2009	2009 Versus 2008
Commercial:					
Air transport and regional					
Original equipment	13%	13%	14%	(2)%	(21)%
Aftermarket	23%	22%	23%	1%	(16)%
Business and general aviation					
Original equipment	5%	7%	11%	(27)%	(51)%
Aftermarket	9%	8%	10%	8%	(27)%
Defense and Space	50%	50%	42%	1%	0%
Total	100%	100%	100%	(1)%	(15)%

2010 compared with 2009

Aerospace sales decreased by 1 percent in 2010 compared with 2009 primarily due to a 1 percent reduction of revenue related to amounts recognized for payments to business and general aviation original equipment manufacturers (OEM Payments) to partially offset their pre-production costs associated with new aircraft platforms.

Details regarding the changes in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales decreased by 2 percent in 2010 primarily due to lower sales to our air transport OE customers.

- Air transport and regional aftermarket sales increased by 1 percent for 2010 primarily due to increased sales of spare parts driven by the impact of increased flying hours of approximately 6 percent in 2010.
- Business and general aviation OE sales decreased by 27 percent in 2010 due to decreases in new business jet deliveries reflecting rescheduling and cancellations of deliveries by OE customers in the first six months and the impact of the OEM Payments discussed above.
- Business and general aviation aftermarket sales increased by 8 percent in 2010 primarily due to increased sales of spare parts due to higher engine utilization, partially offset by lower revenue associated with licensing and maintenance service agreements.
- Defense and space sales increased by 1 percent in 2010 primarily due to higher sales of logistics services partially offset by program wind-downs and completions and lower sales related to commercial helicopters. Changes in defense and space budgets and program delays are anticipated to impact the amount and timing of sales in this end-market in 2011.

Aerospace segment profit decreased by 3 percent in 2010 compared with 2009 primarily due to a negative 3 percent impact from the OEM payments, discussed above. Operational segment profit was flat in 2010 with the approximate positive 4 percent impact from price and productivity, net of inflation (including the absence of prior period labor cost actions offset by the benefits from prior repositioning actions) offset by an approximate negative 4 percent impact from lower sales volume. Cost of goods sold totaled $8.1 billion in 2010, unchanged from 2009.

2009 compared with 2008

Aerospace sales decreased by 15 percent in 2009. Details regarding the decrease in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales decreased by 21 percent in 2009. The decrease is driven by lower sales to our OE customers, consistent with production rates and platform mix, and the impact of divesting our Consumables Solutions business, partially offset by a 12 percent increase in the fourth quarter of 2009 mainly due to the absence of a strike at a major OEM in the fourth quarter of 2008.
- Air transport and regional aftermarket sales decreased by 16 percent in 2009 primarily due to decreased sales of spare parts and lower maintenance activity driven by the impact of higher parked aircraft part utilization, customer inventory reductions initiatives and decreased flying hours of approximately 2 percent, including a 1 percent increase in the fourth quarter.
- Business and general aviation OE sales decreased by 51 percent in 2009 due to the decreases in new business jet deliveries reflecting rescheduling and cancellations of deliveries by OE customers.
- Business and general aviation aftermarket sales decreased by 27 percent in 2009. The decrease was primarily due to decreased sales of spare parts and lower revenue associated with maintenance service agreements, consistent with the decrease in business jet utilization. We started to see an increase in business jet utilization rates in the fourth quarter of 2009.
- Defense and space sales were essentially unchanged in 2009, primarily due to higher sales of logistics services and original equipment for military platforms in the first nine months of 2009 offset by program completions.

Aerospace segment profit decreased by 18 percent in 2009 compared to 2008 due primarily to lower sales as a result of the factors discussed above and inflation, partially offset by volume related material cost reductions and reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation), the positive impact of cost savings initiatives and increased prices.

2011 Areas of Focus

Aerospace's primary areas of focus for 2011 include:

- Aligning inventory, production and research and development with improving customer demand and production schedules;
- Expanding sales and operations in international locations;
- Global pursuit of new defense and space programs;
- Focus on cost structure initiatives to maintain profitability in face of evolving defense and space budgets and program specific appropriations;
- Continuing to design equipment that enhances the safety, performance and durability of aerospace and defense equipment, while reducing weight and operating costs;
- Delivering world-class customer service and achieving cycle and lead time reduction to improve responsiveness to customer demand; and
- Continued deployment of our common enterprise resource planning (ERP) system.

Automation and Control Solutions (ACS)

Overview

ACS provides innovative products and solutions that make homes, buildings, industrial sites and infrastructure more efficient, safe and comfortable. Our ACS products and services include controls for heating, cooling, indoor air quality, ventilation, humidification, lighting and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance; remote patient monitoring systems; products for automatic identification and data collection, installation, maintenance and upgrades of systems that keep buildings safe, comfortable and productive; and automation and control solutions for industrial plants, including advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings as well as equipment that controls, measures and analyzes natural gas production and transportation.

Economic and Other Factors

ACS's operating results are principally driven by:

- Global commercial construction (including retrofits and upgrades);
- Demand for residential security and environmental control retrofits and upgrades;
- Demand for energy efficient products and solutions;
- Industrial production;
- Government and public sector spending;
- Economic conditions and growth rates in developed (U.S. and Europe) and emerging markets;
- The strength of global capital and operating spending on process (including petrochemical and refining) and building automation;
- Inventory levels in distribution channels; and
- Changes to energy, fire, security, health care, safety and environmental concerns and regulations.

Automation and Control Solutions

	2010	2009	Change	2008	Change
Net sales	$ 13,749	$ 12,611	9%	$ 14,018	(10)%
Cost of products and services sold	9,312	8,561		9,594	
Selling, general and administrative expenses	2,480	2,256		2,709	
Other	187	206		93	
Segment profit	$ 1,770	$ 1,588	11%	$ 1,622	(2)%

Factors Contributing to Year-Over-Year Change

	2010 vs. 2009		2009 vs. 2008	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	6%	9%	(9)%	0%
Foreign exchange	0%	0%	(4)%	(2)%
Acquisitions and divestitures, net	3%	2%	3%	2%
Other	0%	0%	0%	(2)%
Total % Change	9%	11%	(10)%	(2)%

2010 compared with 2009

Automation and Control Solutions ("ACS") sales increased by 9 percent in 2010 compared with 2009, primarily due to a 6 percent increase in organic revenue driven by increased sales volume and 3 percent growth from acquisitions.

- Sales in our Products businesses increased by 11 percent in 2010 primarily reflecting higher sales volumes in our businesses tied to industrial production (environmental and combustion controls, sensing and control, gas detection, personal protective equipment and scanning and mobility products), new product introductions and acquisitions, primarily Sperian.

- Sales in our Solutions businesses increased by 6 percent in 2010 primarily due to the positive impact of increased volume, acquisitions, net of divestitures (primarily the RMG Group), net of divestitures, higher prices and growth in energy efficiency projects and industrial field solutions driven by orders growth and conversion to sales from order backlog. Orders and backlog increased in 2010 compared to 2009 primarily driven by energy efficiency projects, refining and natural gas infrastructure projects and growth in emerging regions.

ACS segment profit increased by 11 percent in 2010 compared with 2009 due to a 9 percent increase in operational segment profit and 2 percent increase from acquisitions. The increase in operational segment profit is comprised of an approximate 18 percent positive impact from higher sales volume, partially offset by an approximate 9 percent negative impact from inflation, net of price and productivity (including the absence of prior period labor cost actions, partially offset by the benefits of prior repositioning). Cost of goods sold totaled $9.3 billion in 2010, an increase of approximately $750 million which is primarily as a result of the factors discussed above.

2009 compared with 2008

ACS sales decreased by 10 percent in 2009 compared with 2008, primarily due to decreased sales volume (reflecting slower global economic growth) and an unfavorable impact of foreign exchange of 4 percent, partially offset by a 3 percent growth from acquisitions.

- Sales in our Products businesses decreased by 11 percent, including (i) lower volumes of sales in each of our businesses (excluding the impact of acquisitions) and (ii) the unfavorable impact of foreign exchange. Softness in residential and industrial end-markets was partially offset by the positive impact of acquisitions, most significantly Norcross Safety Products.

- Sales in our Solutions businesses decreased by 9 percent primarily due to the unfavorable impact of foreign exchange and volume decreases largely due to softening demand as a result of customer deferral of capital and operating expenditures. Orders decreased while backlog increased in 2009. Decreased orders are primarily due to the unfavorable impact of foreign exchange, softening demand (as noted above) and order timing and delays. Higher backlog is primarily due to longer duration projects. The impact of these factors was partially offset by the positive impact of acquisitions, most significantly the RMG Group.

ACS segment profit decreased by 2 percent in 2009 compared with 2008 principally due to the negative impact of lower sales as a result of the factors discussed above and inflation, partially offset by lower material costs, reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation) and the positive impact of indirect cost savings initiatives. In the fourth quarter of 2009 these factors more than offset the impact of lower sales described above resulting in a 5 percent increase in segment profit.

2011 Areas of Focus

ACS's primary areas of focus for 2011 include:

- Products and solutions for energy efficiency and asset management;
- Extending technology leadership: lowest total installed cost and integrated product solutions;
- Defending and extending our installed base through customer productivity and globalization;
- Sustaining strong brand recognition through our brand and channel management;
- Continued centralization and standardization of global software development capabilities;
- Continuing to identify, execute and integrate acquisitions in or adjacent to the markets which we serve;
- Continuing to establish and grow emerging markets presence and capability;
- Continuing to invest in new product development and introductions; and
- Continued deployment of our common ERP system.

Specialty Materials

Overview

Specialty Materials develops and manufactures high-purity, high-quality and high-performance chemicals and materials for applications in the refining, petrochemical, automotive, healthcare, agricultural, packaging, refrigeration, appliance, housing, semiconductor, wax and adhesives segments. Specialty Materials also provides process technology, products and services for the petroleum refining, gas processing, petrochemical, renewable energy and other industries. Specialty Materials' product portfolio includes fluorocarbons, hydrofluoroolefins, caprolactam, resins, ammonium sulfate for fertilizer, specialty films, waxes, additives, advanced fibers, customized research chemicals and intermediates, electronic materials and chemicals, catalysts, and adsorbents.

Economic and Other Factors

Specialty Materials operating results are principally driven by:

- Level and timing of capital spending and capacity and utilization rates in refining and petrochemical end markets;
- Degree of pricing volatility in raw materials such as benzene (the key component in phenol), fluorspar, natural gas, ethylene and sulfur;
- Impact of environmental and energy efficiency regulations;
- Extent of change in order rates from global semiconductor customers;
- Global demand for non-ozone depleting Hydro fluorocarbons (HFC's);
- Condition of the U.S. residential housing and non residential industries and automotive demand;

- Global demand for commodities such as caprolactam and ammonium sulfate; and
- Increasing demand for renewable energy and biofuels.

Specialty Materials

	2010	2009	Change	2008	Change
Net sales	$ 4,726	$ 4,144	14%	$ 5,266	(21)%
Cost of products and services sold	3,554	3,127		4,121	
Selling, general and administrative expenses	345	345		395	
Other	78	67		29	
Segment profit	$ 749	$ 605	24%	$ 721	(16)%

Factors Contributing to Year-Over-Year Change

	2010 vs. 2009		2009 vs. 2008	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	14%	25%	(20)%	(14)%
Foreign exchange	0%	(1)%	(1)%	(2)%
Total % Change	14%	24%	(21)%	(16)%

2010 compared with 2009

Specialty Materials sales increased by 14 percent in 2010 compared with 2009 predominantly due to organic growth.

- Advanced Materials sales increased by 23 percent in 2010 compared to 2009 primarily driven by (i) a 29 percent increase in Resins and Chemicals sales primarily due to higher prices driven by strong Asia demand, formula pricing arrangements and agricultural demand, (ii) a 21 percent increase in Specialty Products sales most significantly due to higher sales volume to our semiconductor, specialty additives, advanced fiber industrial applications and specialty chemicals customers, (iii) a 19 percent increase in our Fluorine Products business due to higher sales volume from increased demand for our refrigerants, insulating materials and industrial processing aids.
- UOP sales decreased by 1 percent in 2010 compared to 2009 primarily driven by lower new unit catalyst sales and timing of projects activity in the refining and petrochemical industries, partially offset by increased gas processing equipment sales.

Specialty Materials segment profit increased by 24 percent in 2010 compared with 2009 due to a 25 percent increase in operational segment profit. The increase in operational segment profit is primarily due to a 24 percent positive impact from higher sales volumes. The positive impact from price and productivity was offset by the negative impact from inflation (including the absence of prior period labor cost actions). Cost of goods sold totaled $3.6 billion in 2010, an increase of approximately $400 million which is primarily as a result of the factors discussed above.

2009 compared with 2008

Specialty Materials sales decreased by 21 percent in 2009 compared with 2008 primarily driven by (i) a 32 percent decrease in Resins and Chemicals sales due to substantial price declines arising from pass through of lower raw materials costs, partially offset by increased volume (most notably in the fourth quarter), (ii) a 19 percent decrease in UOP sales due to customer deferrals of projects as a result of reduced demand for additional capacity in the refining and petrochemical industries as well as lower catalyst sales, (iii) a 22 percent decrease in Specialty Products sales most significantly due to continued demand softness across key customer end-markets, and (iv) an 11 percent decrease in Fluorine Products sales due to lower volume sales of refrigerants and insulating materials principally driven by customer inventory reduction initiatives and soft construction and original equipment manufacturing end markets, partially offset by price increases.

Specialty Materials segment profit decreased by 16 percent in 2009 compared with 2008. This decrease is principally due to lower sales as a result of the factors discussed above, partially offset by lower material costs, reduced labor costs (reflecting reduced census, work schedule reductions and lower incentive compensation), the positive impact of indirect cost savings initiatives and increased prices. In the fourth quarter of 2009 these factors more than offset the impact of lower sales described above resulting in a 56 percent increase in segment profit.

2011 Areas of Focus

Specialty Materials primary areas of focus for 2011 include:

- Continuing to develop new processes, products and technologies that address energy efficiency, the environment and security, as well as position the portfolio for higher value;
- Commercializing new products and technologies in the petrochemical, gas processing and refining industries and renewable energy sector;
- Driving sales and marketing excellence and expand local presence in fast growing emerging markets;
- Execution of awarded government projects;
- Managing exposure to raw material commodity fluctuations; and
- Investing to increase plant reliability and operational effectiveness, productivity, quality and operational excellence.

Transportation Systems

Overview

Transportation Systems provides automotive products that improve the performance, efficiency, and appearance of cars, trucks, and other vehicles through state-of-the-art technologies, world class brands and global solutions to customers' needs. Transportation Systems' products include turbochargers and charge-air and thermal systems; car care products including anti-freeze (Prestone(R)), filters (Fram(R)), spark plugs (Autolite(R)), and cleaners, waxes and additives (Holts(R)); and brake hard parts and other friction materials (Bendix(R) and Jurid(R)). Transportation Systems sells its products to original equipment ("OE") automotive and truck manufacturers (e.g., BMW, Caterpillar, Daimler, Renault, Ford, and Volkswagen), wholesalers and distributors and through the retail aftermarket.

Economic and Other Factors

Transportation Systems operating results are principally driven by:

- Financial strength and stability of automotive OE manufacturers;
- Global demand for automobile and truck production;
- Turbo penetration rates for new engine platforms;
- Global consumer preferences for boosted diesel passenger cars;
- Degree of volatility in raw material prices, including nickel and steel;
- New automobile production rates and the impact of customer inventory levels on demand for our products;
- Regulations mandating lower emissions and improved fuel economy;
- Consumers' ability to obtain financing for new vehicle purchases; and
- Automotive aftermarket trends such as consumer confidence, miles driven, and consumer preference for branded vs. private label aftermarket and car care products.

Transportation system

	2010	2009	Change	2008	Change
Net sales	$ 4,212	$ 3,389	24%	$ 4,622	(27)%
Cost of products and services sold	3,433	2,928		3,847	
Selling, general and administrative expenses	246	252		323	
Other	60	53		46	
Segment profit	$ 473	$ 156	203%	$ 406	(62)%

Factors Contributing to Year-Over-Year Change

	2010 vs. 2009		2009 vs. 2008	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	25%	206%	(24)%	(58)%
Foreign exchange	(1)%	(3)%	(3)%	(4)%
Total % Change	24%	203%	(27)%	(62)%

2010 compared with 2009

Transportation Systems sales increased by 24 percent in 2010 compared with the 2009 primarily due to a 25 percent increase in organic revenue driven by increased sales volume, partially offset by an unfavorable impact of foreign exchange of 1 percent.

- Turbo Technologies sales increased 31 percent primarily due to increased turbocharger sales to both light vehicle and commercial vehicle engine manufacturers partially offset by the negative impacts of foreign exchange. We expect increased volume to continue in 2011 as we benefit from new platform launches and continued strong diesel penetration rates in Western Europe.

- Consumer Products Group ("CPG") sales increased 7 percent, primarily due to higher prices (primarily pass through of ethylene glycol cost increases) and higher volume of antifreeze products in the fourth quarter.

Transportation Systems segment profit increased by $317 million in 2010 compared with 2009 predominantly due to the positive impact from increased sales volume. Cost of goods sold totaled $3.4 billion in 2010, an increase of approximately $500 million which is also primarily a result of increased sales volume.

2009 compared with 2008

Transportation Systems sales decreased by 27 percent in 2009 compared with the 2008, primarily due to lower volumes (driven by the ongoing challenging global automotive industry conditions) and the negative impact of foreign exchange in the first nine months of 2009.

- Turbo Technologies sales, including Friction Materials, decreased by 32 percent primarily due to lower sales volumes to both our commercial and light vehicle engine manufacturing customers and the negative impact of foreign exchange. Diesel penetration rates in Western Europe declined in the first nine months of 2009 and there was a shift in consumer preference towards lower displacement engines. Full year 2009 sales decline was partially offset by a 19 percent sales increase during the fourth quarter primarily due to the positive impact of foreign exchange and higher sales volumes to our light vehicle engine manufacturing customers.

- CPG sales decreased by 8 percent primarily due to lower prices (primarily pass through of ethylene glycol cost decreases), lower volumes, and the negative impact of foreign exchange.

Transportation Systems segment profit decreased by $ 250 million in 2009 compared with 2008 due principally to lower sales volume as a result of the factors discussed above partially offset by lower material costs, reduced labor costs (reflecting reduced census, work schedule reductions, benefits from prior repositioning actions and lower incentive compensation) and the positive impact of indirect cost savings initiatives. In the fourth quarter of 2009 these factors and increased Turbo Technologies volumes resulted in a $66 million increase in Transportation Systems' segment profit.

2011 Areas of Focus

Transportation Systems primary areas of focus in 2011 include:

- Sustaining superior turbocharger technology through successful platform launches;
- Maintaining the high quality of current products while executing new product introductions;
- Increasing global penetration and share of diesel and gasoline turbocharger OEM demand;
- Increasing plant productivity to address capacity challenges generated by volatility in product demand and OEM inventory levels;
- Aligning cost structure with current economic outlook, and successful execution of repositioning actions; and
- Aligning development efforts and costs with new turbo platform launch schedules.

Repositioning and Other Charges

See Note 3 to the financial statements for a discussion of repositioning and other charges incurred in 2010, 2009, and 2008. Our repositioning actions are expected to generate incremental pretax savings of approximately $200 million in 2011 compared with 2010 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute our repositioning actions were $151, $200, and $157 million in 2010, 2009, and 2008, respectively. Such expenditures for severance and other exit costs have been funded principally through operating cash flows. Cash expenditures for severance and other costs necessary to execute the remaining actions will approximate a total of $150 million in 2011 and will be funded through operating cash flows.

The following tables provide details of the pretax impact of total net repositioning and other charges by segment.

	Years Ended December 31,		
	2010	2009	2008
Aerospace			
Net repositioning charge	$ 32	$ 31	$ 84

	Years Ended December 31,		
	2010	2009	2008
Automation and Control Solutions			
Net repositioning charge	$ 79	$ 70	$ 164

	Years Ended December 31,		
	2010	2009	2008
Specialty Materials			
Net repositioning charge	$ 18	$ 9	$ 37
Probable and reasonably estimable environmental liabilities	—	—	5
	$ 18	$ 9	$ 42

	Years Ended December 31,		
	2010	2009	2008
Transportation Systems			
Net repositioning charge	$ 22	$ 61	$ 103
Asbestos related litigation charges, net of insurance	158	112	125
Probable and reasonably estimable environmental liabilities	—	—	4
Other	—	—	1
	$ 180	$ 173	$ 233

	Years Ended December 31,		
	2010	2009	2008
Corporate			
Net repositioning charge	$ —	$ —	$ 36
Asbestos related litigation charges, net of insurance	17	43	—
Probable and reasonably estimable environmental liabilities	212	145	456
Other	62	7	(3)
	$ 291	$ 195	$ 489

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to manage its businesses to maximize operating cash flows as the primary source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short-term debt from the commercial paper market, long-term borrowings, and access to the public debt and equity markets, as well as the ability to sell trade accounts receivables. We continue to balance our cash and financing uses through investment in our existing core businesses, acquisition activity, share repurchases and dividends.

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the years ended 2010, 2009 and 2008, are summarized as follows:

	2010	2009	2008
Cash provided by (used for):			
Operating activities	$ 4,203	$ 3,946	$ 3,791
Investing activities	(2,269)	(1,133)	(2,023)
Financing activities	(2,047)	(2,152)	(1,370)
Effect of exchange rate changes on cash	(38)	75	(162)
Net (decrease)/increase in cash and cash equivalents	$ (151)	$ 736	$ 236

2010 compared with 2009

Cash provided by operating activities increased by $257 million during 2010 compared with 2009 primarily due to i) increased accrued expenses of $690 million (due to increased customer advances and incentive compensation accruals), ii) a $550 million impact from increased deferred taxes (excluding the impact of cash taxes), iii) increased net income of $474 million, iv) lower cash tax payments of approximately $300 million and v) a $219 million decrease in payments for repositioning and other charges, partially offset by a i) $1,059 unfavorable impact from working capital driven by higher receivables and increased purchases of raw materials and component inventory to support higher demand, partially offset by a corresponding increase to accounts payable, ii) increased pension and other postretirement payments of $598 million and iii) the absence of $155 million sale of long-term receivables in 2009.

Cash used for investing activities increased by $1,136 million during 2010 compared with 2009 primarily due to an increase in cash paid for acquisitions of $835 million (most significantly Sperian Protection, discussed below), and a net $341 million increase in investments in short-term marketable securities.

Cash used for financing activities decreased by $105 million during 2010 compared to the 2009 primarily due to a decrease in the net repayment of debt (including commercial paper) of $287 million and an increase in the proceeds from the issuance of common stock, primarily related to stock option exercises of $158 million, partially offset by the repayment of $326 million of debt assumed in the acquisition of Sperian Protection (see below).

2009 compared with 2008

Cash provided by operating activities increased by $155 million during 2009 compared with 2008 primarily due to i) a favorable impact from working capital of $577 million (primarily due to a decrease in inventory of $479 million driven by reduced purchases of raw material and component inventory, lower production of finished goods in line with decreased sales volumes and inventory reduction initiatives across each of our segments), ii) lower cash tax payments of $449 million, iii) $155 million from the sale of long term receivables, iv) increased net income of $742 million and v) a $718 million impact from increased deferred income taxes (excluding the impact of cash tax payments noted above), partially offset by i) decreased pension expense of $2,312 million, ii) receipts from the sale of insurance receivables of $82 million in 2008, iii) a $56 million decreased impact from other current assets (most significantly lower receipts from insurance receivables) and iv) higher repositioning payments of $43 million.

Cash used for investing activities decreased by $890 million during 2009 compared with 2008 primarily due to a $1,713 million decrease in cash paid for acquisitions (most significantly the acquisition of Norcross and Metrolgic in 2008) and a $275 million decrease in expenditures for property, plant, and equipment, partially offset by a $908 million decrease in proceeds from sales of businesses (most significantly the divestiture of Consumables Solutions in 2008).

Cash used for financing activities increased by $782 million during 2009 compared with 2008 primarily due to a net repayment of debt (including commercial paper) in 2009 of $1,272 million compared to net proceeds (including commercial paper) of $733 million in 2008 partially offset by a decrease in repurchases of common stock of $1,459 million.

Liquidity

Each of our businesses is focused on implementing strategies to improve working capital turnover in 2011 to increase operating cash flows. Considering the current economic environment in which each of our businesses operate and our business plans and strategies, including our focus on growth, cost reduction and productivity initiatives, we believe that our cash balances and operating cash flows will remain our principal source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short term debt from the commercial paper markets, long-term borrowings, and access to the public debt and equity markets, as well as our ability to sell trade accounts receivables.

A source of liquidity is our ability to issue short-term debt in the commercial paper market. Commercial paper notes are sold at a discount and have a maturity of not more than 365 days from date of issuance. Borrowings under the commercial paper program are available for general corporate purposes as well as for financing potential acquisitions. There was $299 million of commercial paper outstanding at December 31, 2010.

Our ability to access the commercial paper market, and the related cost of these borrowings, is affected by the strength of our credit rating and market conditions. Our credit ratings are periodically reviewed by the major independent debt-rating agencies. As of December 31, 2010, Standard and Poor's (S&P), Fitch, and Moody's have ratings on our long-term debt of A, A and A2 respectively, and short-term debt of A-1, F1 and P1 respectively. S&P, Fitch and Moody's have Honeywell's rating outlook as "stable". To date, the company has not experienced any limitations in our ability to access these sources of liquidity. We maintain a $2.8 billion committed bank revolving credit facility for general corporate purposes, including support for the issuance of commercial paper, which expires in mid-May 2012. At December 31, 2010, there were no borrowings or letters of credit issued under the credit facility. The credit facility does not restrict Honeywell's ability to pay dividends, nor does it contain financial covenants. We expect to refinance the credit facility in 2011.

In the first quarter of 2010, the Company repaid $1,000 million of its 7.50% notes. The repayment was funded with cash provided by operating activities.

In October 2010, we completed the acquisition of the issued and outstanding shares of Sperian Protection (Sperian), a French company that operates globally in the personal protection equipment design and manufacturing industry. The aggregate value, net of cash acquired, was approximately $1,475 million, including the assumption of approximately $326 million of outstanding debt.

We also have a current shelf registration statement filed with the Securities and Exchange Commission under which we may issue additional debt securities, common stock and preferred stock that may be offered in one or more offerings on terms to be determined at the time of the offering. Net proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

As a source of liquidity, we sell interests in designated pools of trade accounts receivables to third parties. As of December 31, 2010 and 2009, none of the receivables in the designated pools had been sold to third parties. When we sell receivables, they are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion, providing us with an additional source of revolving credit. As a result, program receivables remain on the Company's balance sheet with a corresponding amount recorded as either Short-term borrowings or Long-term debt.

We monitor the third-party depository institutions that hold our cash and cash equivalents on a daily basis. Our emphasis is primarily on safety of principal and secondarily on maximizing yield on those funds. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities.

Global economic conditions or a tightening of credit markets could adversely affect our customers' or suppliers' ability to obtain financing, particularly in our long-cycle businesses and airline and automotive end markets. Customer or supplier bankruptcies, delays in their ability to obtain financing, or the unavailability of financing could adversely affect our cash flow or results of operations. To date we have not experienced material impacts from customer or supplier bankruptcy or liquidity issues. We continue to monitor and take measures to limit our exposure.

In addition to our normal operating cash requirements, our principal future cash requirements will be to fund capital expenditures, debt repayments, dividends, employee benefit obligations, environmental remediation costs, asbestos claims, severance and exit costs related to repositioning actions, share repurchases and any strategic acquisitions.

Specifically, we expect our primary cash requirements in 2011 to be as follows:

- Capital expenditures—we expect to spend approximately $800 million for capital expenditures in 2011 primarily for cost reduction, maintenance, replacement, growth, and production and capacity expansion.
- Debt repayments—there are $523 million of scheduled long-term debt maturities in 2011.
- Share repurchases—The Board of Directors has authorized the repurchase of up to a total of $3 billion of Honeywell common stock, which amount includes $1.3 billion that remained available under the Company's previously reported share repurchase program. Honeywell presently expects to repurchase outstanding shares from time to time during 2011 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.
- Dividends—we expect to pay approximately $1,050 million in dividends on our common stock in 2011, reflecting a 1 percent increase in the number of shares outstanding and a 10 percent increase in the 2011 dividend rate.
- Asbestos claims—we expect our cash spending for asbestos claims and our cash receipts for related insurance recoveries to be approximately $162 and $50 million, respectively, in 2011. See Asbestos Matters in Note 21 to the financial statements for further discussion.
- Pension contributions—In 2011, we are not required to make any contributions to our U.S. pension plans to satisfy minimum statutory funding requirements. However, in January 2011 we made a voluntary cash contribution of $1 billion to our U.S. plans to improve the funded status of the plans. During 2010, we made voluntary contributions of $600 million in cash and $400 million of Honeywell common stock to our U.S. pension plans, as well as $242 million of marketable securities to our non-U.S. pension plans, to improve the funded status of our plans. See Note 22 to the financial statements for further discussion of pension contributions. In addition, the Company is evaluating additional voluntary contributions in 2011 and currently expects to contribute a portion of the proceeds from the sale of its Consumer Products Group business (discussed below) to our U.S. Pension plans. The timing and amount of contributions may be impacted by a number of factors, including the rate of return on plan assets and discount rates.
- Repositioning actions—we expect that cash spending for severance and other exit costs necessary to execute the previously announced repositioning actions will approximate $150 million in 2011.
- Environmental remediation costs—we expect to spend approximately $325 million in 2011 for remedial response and voluntary clean-up costs. See Environmental Matters in Note 21 to the financial statements for additional information.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify businesses that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These businesses are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints. In 2008 we realized $909 million in cash proceeds from sales of non-strategic businesses.

In January 2011, the Company entered into a definitive agreement to sell its Consumer Products Group business (CPG) to Rank Group Limited for approximately $950 million. The sale, which is subject to customary closing conditions, including the receipt of regulatory approvals, is expected to close in the third quarter of 2011. We currently estimate that the transaction will result in a pre-tax gain of approximately $350 million, approximately $200 million net of tax. The sale of CPG, within the Transportation Systems segment, is consistent with the Company's strategic focus on its portfolio of differentiated global technologies.

In July 2008, the Company completed the sale of its Consumables Solutions business to B/E Aerospace ("B/E") for $1.05 billion, consisting of approximately $901 million in cash and six million shares of B/E common stock. As discussed in Note 3 to the financial statements, this transaction resulted in a pre-tax gain of $623 million, $417 million net of tax. These proceeds, along with our other sources and uses of liquidity, as discussed above, were utilized to invest in our existing core businesses and fund acquisition activity, share repurchases and dividends.

Based on past performance and current expectations, we believe that our operating cash flows will be sufficient to meet our future operating cash needs. Our available cash, committed credit lines, access to the public debt and equity markets as well as our ability to sell trade accounts receivables, provide additional sources of short-term and long-term liquidity to fund current operations, debt maturities, and future investment opportunities. Based on our current financial position and expected economic performance.

Contractual Obligations and Probable Liability Payments

Following is a summary of our significant contractual obligations and probable liability payments at December 31, 2010:

		Payments by Period			
	Total(6)	2011	2012-2013	2014-2015	Thereafter
Long-term debt, including capitalized leases[1]	$ 6,278	$ 523	$ 1,022	$ 608	$ 4,125
Interest payments on long-term debt, including capitalized leases	2,844	259	421	360	1,804
Minimum operating lease payments	1,353	318	437	266	332
Purchase obligations[2]	1,856	978	533	190	155
Estimated environmental liability payments[3]	753	325	300	100	28
Asbestos related liability payments[4]	1,719	162	916	329	312
Asbestos insurance recoveries[5]	(875)	(50)	(133)	(176)	(516)
	$ 13,928	$ 2,515	$ 3,496	$ 1,677	$ 6,240

(1) Assumes all long-term debt is outstanding until scheduled maturity.

(2) Purchase obligations are entered into with various vendors in the normal course of business and are consistent with our expected requirements.

(3) The payment amounts in the table only reflect the environmental liabilities which are probable and reasonably estimable as of December 31, 2010. See Environmental Matters in Note 21 to the financial statements for additional information.

(4) These amounts are estimates of asbestos related cash payments for NARCO and Bendix based on our asbestos related liabilities which are probable and reasonably estimable as of December 31, 2010. NARCO estimated payments are based on the terms and conditions, including evidentiary requirements, specified in the definitive agreements or agreements in principle and pursuant to Trust Distribution Procedures. Projecting the timing of NARCO payments is dependent on, among other things, the effective date of the Trust which could cause the timing of payments to be earlier or later than that projected. Bendix payments are based on our estimate of pending and future claims. Projecting future events is subject to many uncertainties that could cause asbestos liabilities to be higher or lower than those projected and recorded. See Asbestos Matters in Note 21 to the financial statements for additional information.

(5) These amounts represent our insurance recoveries that are deemed probable for asbestos related liabilities as of December 31, 2010. The timing of insurance recoveries are impacted by the terms of insurance settlement agreements, as well as the documentation, review and collection process required to collect on insurance claims. Where probable insurance recoveries are not subject to definitive settlement agreements with specified payment dates, but instead are covered by insurance policies, we have assumed collection will occur beyond 2015. Projecting the timing of insurance recoveries is subject to many uncertainties that could cause the amounts collected to be higher or lower than those projected and recorded or could cause the timing of collections to be earlier or later than that projected. We reevaluate our projections concerning insurance recoveries in light of any changes or developments that would impact recoveries or the timing thereof. See Asbestos Matters in Note 21 to the financial statements for additional information.

(6) The table excludes $757 million of uncertain tax positions. See Note 6 to the financial statements.

The table also excludes our pension and other postretirement benefits (OPEB) obligations. In January 2011, we made a voluntary cash contribution of $1 billion to our U.S. plans to improve the funded status of our plans. In addition, the company is evaluating additional voluntary contributions in 2011. We also expect to make contributions to our non-U.S. plans of approximately $55 million in 2011. Beyond 2011, the actual amounts required to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory actions related to pension funding obligations. Payments due under our OPEB plans are not required to be funded in advance, but are paid as medical costs are incurred by covered retiree populations, and are principally dependent upon the future cost of retiree medical benefits under our plans. We expect our OPEB payments to approximate $188 million in 2011 net of the benefit of approximately $13 million from the Medicare prescription subsidy. See Note 22 to the financial statements for further discussion of our pension and OPEB plans.

Off-Balance Sheet Arrangements

Following is a summary of our off-balance sheet arrangements:

Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2010:

	Maximum Potential Future Payments
Operating lease residual values	$ 43
Other third parties' financing	5
Unconsolidated affiliates' financing	11
Customer financing	17
	$ 76

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly, with other potentially responsible parties, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy (see Note 1 to the financial statements) to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, execution timeframe of projects, remedial techniques to be utilized and agreements with other parties.

Remedial response and voluntary cleanup payments were $266, $318 and $320 million in 2010, 2009 and 2008, respectively, and are currently estimated to be approximately $325 million in 2011. We expect to fund such expenditures from operating cash flow.

Remedial response and voluntary cleanup costs charged against pretax earnings were $225, $151 and $466 million in 2010, 2009 and 2008, respectively. At December 31, 2010 and 2009, the recorded liabilities for environmental matters was $753 and $779 million, respectively. In addition, in 2010 and 2009 we incurred operating costs for ongoing businesses of approximately $86 and $73 million, respectively, relating to compliance with environmental regulations.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that environmental matters will have a material adverse effect on our consolidated financial position.

See Note 21 to the financial statements for a discussion of our commitments and contingencies, including those related to environmental matters and toxic tort litigation.

Financial Instruments

As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments. A summary of our accounting policies for derivative financial instruments is included in Note 1 to the financial statements. We also hold investments in marketable equity securities, which exposes us to market volatility, as discussed in Note 16 to the financial statements.

We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk from changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and anticipated transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. Our principal currency exposures relate to the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee, Singapore dollar and Swedish krona.

Our exposure to market risk from changes in interest rates relates primarily to our net debt and pension obligations. As described in Notes 14 and 16 to the financial statements, we issue both fixed and variable rate debt and use interest rate swaps to manage our exposure to interest rate movements and reduce overall borrowing costs.

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and expected future cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

The following table illustrates the potential change in fair value for interest rate sensitive instruments based on a hypothetical immediate one-percentage-point increase in interest rates across all maturities, the potential change in fair value for foreign exchange rate sensitive instruments based on a 10 percent weakening of the U.S. dollar versus local currency exchange rates across all maturities, and the potential change in fair value of contracts hedging commodity purchases based on a 20 percent decrease in the price of the underlying commodity across all maturities at December 31, 2010 and 2009.

	Face or Notional Amount	Carrying Value(1)	Fair Value(1)	Estimated Increase (Decrease) in Fair Value
December 31, 2010				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	$ 6,278	$ (6,278)	$ (6,835)	$ (399)
Interest rate swap agreements	600	22	22	(18)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	5,733	2	2	102
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	23	—	—	(4)
December 31, 2009				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	$ 7,264	$ (7,264)	$ (7,677)	$ (421)
Interest rate swap agreements	600	(2)	(2)	(23)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	2,959	8	8	79
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	52	4	4	(10)

(1) Asset or (liability).

(2) Changes in the fair value of foreign currency exchange contracts are offset by changes in the fair value or cash flows of underlying hedged foreign currency transactions.

(3) Changes in the fair value of forward commodity contracts are offset by changes in the cash flows of underlying hedged commodity transactions.

The above discussion of our procedures to monitor market risk and the estimated changes in fair value resulting from our sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. The methods used by us to assess and mitigate risk discussed above should not be considered projections of future events.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. We consider the accounting policies discussed below to be critical to the understanding of our financial statements. Actual results could differ from our estimates and assumptions, and any such differences could be material to our consolidated financial statements.

We have discussed the selection, application and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors and our Independent Registered Public Accountants. New accounting standards effective in 2010 which had a material impact on our consolidated financial statements are described in the Recent Accounting Pronouncements section in Note 1 to the financial statements.

Contingent Liabilities—We are subject to a number of lawsuits, investigations and claims (some of which involve substantial dollar amounts) that arise out of the conduct of our global business operations or those of previously owned entities, including matters relating to commercial transactions, government contracts, product liability (including asbestos), prior acquisitions and divestitures, employee benefit plans, intellectual property, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Such analysis includes making judgments concerning matters such as the costs associated with environmental matters, the outcome of negotiations, the number and cost of pending and future asbestos claims, and the impact of evidentiary requirements. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments (including new discovery of facts, changes in legislation and outcomes of similar cases through the judicial system), changes in assumptions or changes in our settlement strategy. For a discussion of our contingencies related to environmental, asbestos and other matters, including management's judgment applied in the recognition and measurement of specific liabilities, see Notes 1 and 21 to the financial statements.

Asbestos Related Contingencies and Insurance Recoveries—We are a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrued for pending claims based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with current claimants. We also accrued for the probable value of future NARCO asbestos related claims through 2018 based on the disease criteria and payment values contained in the NARCO trust as described in Note 21 to the financial statements. In light of the inherent uncertainties in making long term projections regarding claims filing rates and disease manifestation, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. Regarding Bendix asbestos related claims, we accrued for the estimated value of pending claims based on expected claim resolution values and historic dismissal rates. We also accrued for the estimated cost of future anticipated claims related to Bendix for the next five years based on our assessment of additional claims that may be brought against us and anticipated resolution values in the tort system. We value Bendix pending and future claims using the average resolution values for the previous five years. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21 to the financial statements. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers. At December 31, 2010, we have recorded insurance receivables of $718 million that can be specifically allocated to NARCO related asbestos liabilities. We also have $1.9 billion in coverage remaining for Bendix related asbestos liabilities although there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods and insurance settlements. Our insurance is with both the domestic insurance market and the London excess market. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Projecting future events is subject to various uncertainties that could cause the insurance recovery on asbestos related liabilities to be higher or lower than that projected and recorded. Given the inherent uncertainty in making future projections, we reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability, our recovery experience or other relevant factors that may impact future insurance recoveries. See Note 21 to the financial statements for a discussion of management's judgments applied in the recognition and measurement of insurance recoveries for asbestos related liabilities.

Defined Benefit Pension Plans— We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees.

In 2010, we elected to change our method of recognizing pension expense. Previously, for our U.S. defined benefit pension plans we used the market-related value of plan assets reflecting changes in the fair value of plan assets over a three-year period. Further, net actuarial gains or losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) were recognized over a six-year period. Under our new accounting method which we adopted in 2010, we will recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of the corridor annually in the fourth quarter each year (MTM Adjustment). This new accounting method results in faster recognition of net actuarial gains and losses than our previous amortization method. Net actuarial gains and losses occur when the actual experience differs from any of the various assumptions used to value our pension plans or when assumptions change as they may each year. The primary factors contributing to actuarial gains and losses are changes in the discount rate used to value pension obligations as of the measurement date each year and the differences between expected and actual returns on plan assets. This accounting method also results in the potential for volatile and difficult to forecast MTM adjustments. MTM adjustments were $471, $741 and $3,290 million in 2010, 2009 and 2008, respectively. The remaining components of pension expense, primarily service and interest costs and assumed return on plan assets, will be recorded on a quarterly basis (On-going Pension Expense). See Note 1 to the financial statements for further details of the change and the impact of our retrospective application of the new policy.

For financial reporting purposes, net periodic pension expense is calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations and an expected long-term rate of return on plan assets. We determine the expected long-term rate of return on plan assets utilizing historic and expected plan asset returns over varying long-term periods combined with current market conditions and broad asset mix considerations (see Note 22 to the financial statements for details on the actual various asset classes and targeted asset allocation percentages for our pension plans). The discount rate reflects the market rate on December 31 (measurement date) for high-quality fixed-income investments with maturities corresponding to our benefit obligations and is subject to change each year. Further information on all our major actuarial assumptions is included in Note 22 to the financial statements.

The key assumptions used in developing our 2010, 2009 and 2008 net periodic pension expense for our U.S. plans included the following:

	2010	2009	2008
Discount rate	5.75%	6.95%	6.50%
Assets:			
Expected rate of return	9%	9%	9%
Actual rate of return	19%	20%	(29%)
Actual 10 year average annual compounded rate of return	6%	4%	4%

The discount rate can be volatile from year to year because it is determined based upon prevailing interest rates as of the measurement date. We will use a 5.25 percent discount rate in 2011, reflecting the decrease in the market interest rate environment since December 31, 2009. We will use an expected rate of return on plan assets of 8 percent for 2011 down from 9 percent in 2010 due to lower future expected market returns.

In addition to the potential for MTM adjustments, changes in our expected rate of return on plan assets and discount rate resulting from economic events also affects future on-going pension expense. The following table highlights the sensitivity of our U.S. pension obligations and on-going expense to changes in these assumptions, assuming all other assumptions remain constant. These estimates exclude any potential MTM adjustment:

Change in Assumption	Impact on 2011 On-Going Pension Expense	Impact on PBO
0.25 percentage point decrease in discount rate	Decrease $8 million	Increase $390 million
0.25 percentage point increase in discount rate	Increase $6 million	Decrease $380 million
0.25 percentage point decrease in expected rate of return on assets	Increase $30 million	—
0.25 percentage point increase in expected rate of return on assets	Decrease $30 million	—

On-going pension expense for all of our pension plans is expected to be approximately $110 million in 2011, a decrease of $79 million from 2010, due primarily to a voluntary contribution of $1 billion in cash to our U.S. pension plans in January 2011 and strong 2010 asset returns. Also, if required, an MTM adjustment will be recorded in the fourth quarter of 2011 in accordance with our new pension accounting method as previously described. It is difficult to reliably forecast or predict whether there will be a MTM adjustment in 2011, and if one is required what the magnitude of such adjustment will be. MTM adjustments are primarily driven by events and circumstances beyond the control of the Company such as changes in interest rates and the performance of the financial markets.

In 2010, 2009 and 2008,we were not required to make contributions to satisfy minimum statutory funding requirements in our U.S. pension plans. However, we made voluntary contributions of $1,000, $740 and $242 million to our U.S. pension plans in 2010, 2009 and 2008, respectively, primarily to improve the funded status of our plans which had deteriorated during 2008 due to the significant asset losses resulting from the poor performance of the equity markets. In 2011, we are still not required to make any contributions to our U.S. pension plans to satisfy minimum statutory funding requirements. However, in January 2011 we made a voluntary cash contribution of $1 billion to our U.S. plans to improve the funded status of our plans. In addition, the Company is evaluating additional voluntary contributions in 2011. The timing and amount of contributions may be impacted by a number of factors, including the rate of return on plan assets and discount rate. We also expect to contribute approximately $55 million to our non-U.S. defined benefit pension plans in 2011 to satisfy regulatory funding standards.

Long-Lived Assets (including Tangible and Definite-Lived Intangible Assets)—To conduct our global business operations and execute our business strategy, we acquire tangible and intangible assets, including property, plant and equipment and definite-lived intangible assets. At December 31, 2010, the net carrying amount of these long-lived assets totaled $7.0 billion. The determination of useful lives (for depreciation/amortization purposes) and whether or not these assets are impaired involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. We periodically evaluate the recoverability of the carrying amount of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset group may not be fully recoverable. The principal factors we consider in deciding when to perform an impairment review are as follows:

- significant under-performance (i.e., declines in sales, earnings or cash flows) of a business or product line in relation to expectations;
- annual operating plans or five-year strategic plans that indicate an unfavorable trend in operating performance of a business or product line;
- significant negative industry or economic trends; and
- significant changes or planned changes in our use of the assets.

Once it is determined that an impairment review is necessary, recoverability of assets is measured by comparing the carrying amount of the asset grouping to the estimated future undiscounted cash flows. If the carrying amount exceeds the estimated future undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is then measured as the difference between the carrying amount of the asset grouping and its fair value. We endeavor to utilize the best information available to measure fair value, which is usually either market prices (if available), level 1 or level 2 in the fair value hierarchy or an estimate of the future discounted cash flow, level 3 of the fair value hierarchy. The key estimates in our discounted cash flow analysis include expected industry growth rates, our assumptions as to volume, selling prices and costs, and the discount rate selected. As described in more detail in Note 16 to the financial statements, we have recorded impairment charges related to long-lived assets of $30 and $28 million in 2010 and 2009, respectively, principally related to manufacturing plant and equipment in facilities scheduled to close or be downsized.

Goodwill Impairment Testing—Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. Our Goodwill balance, $11.6 billion as of December 31, 2010, is subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value is reduced to fair value. The fair value of our reporting units is estimated utilizing a discounted cash flow approach utilizing cash flow forecasts in our five year strategic and annual operating plans adjusted for terminal value assumptions. This impairment test involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. To address this uncertainty we perform sensitivity analysis on key estimates and assumptions.

We completed our annual impairment test as of March 31, 2010 and determined that there was no impairment as of that date. However, significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may have a negative effect on the fair value of our reporting units.

Income Taxes—Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Our provision for income taxes is based on domestic and international statutory income tax rates in the jurisdictions in which we operate. Significant judgment is required in determining income tax provisions as well as deferred tax asset and liability balances, including the estimation of valuation allowances and the evaluation of tax positions.

As of December 31, 2010, we recognized a net deferred tax asset of $2,015 million, less a valuation allowance of $636 million. Net deferred tax assets are primarily comprised of net deductible temporary differences, net operating loss carryforwards and tax credit carryforwards that are available to reduce taxable income in future periods. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Our net deferred tax asset of $2,015 million consists of $1,254 million related to U.S. operations and $761 million related to non-U.S. operations. The U.S. net deferred tax asset of $1,254 million consists of net deductible temporary differences, tax credit carryforwards, federal and state tax net operating losses which we believe will more likely than not be realized through the generation of future taxable income in the U.S. and tax planning strategies. We maintain a valuation allowance of $3 million against such asset related to state net operating losses. The non-U.S. net deferred tax asset of $761 million consists principally of net operating and capital loss carryforwards, mainly in the United Kingdom, Netherlands, Luxembourg and Germany. We maintain a valuation allowance of $634 million against these deferred tax assets reflecting our historical experience and lower expectations of taxable income over the applicable carryforward periods. As more fully described in Note 6 to the financial statements, our valuation allowance increased by $58 million in 2010 and increased by $133 million and decreased by $45 million in 2009 and 2008, respectively. In the event we determine that we will not be able to realize our net deferred tax assets in the future, we will reduce such amounts through a charge to income in the period such determination is made. Conversely, if we determine that we will be able to realize net deferred tax assets in excess of the carrying amounts, we will decrease the recorded valuation allowance through a credit to income in the period that such determination is made.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, as defined by the authoritative guidance for uncertainty in income taxes, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Sales Recognition on Long-Term Contracts—In 2010, we recognized approximately 14 percent of our total net sales using the percentage-of-completion method for long-term contracts in our Automation and Control Solutions, Aerospace and Specialty Materials segments. These long-term contracts are measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Accounting for these contracts involves management judgment in estimating total contract revenue and cost. Contract revenues are largely determined by negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with technical performance and price adjustment clauses (such as inflation or index-based clauses). Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management judgment. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends and other economic projections. Significant factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Anticipated losses on long-term contracts are recognized when such losses become evident. We maintain financial controls over the customer qualification, contract pricing and estimation processes to reduce the risk of contract losses.

OTHER MATTERS

Litigation

See Note 21 to the financial statements for a discussion of environmental, asbestos and other litigation matters.

Recent Accounting Pronouncements

See Note 1 to the financial statements for a discussion of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information relating to market risk is included in Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations under the caption "Financial Instruments".

ITEM 8. Financial Statements and Supplementary Data

Honeywell International Inc.
Consolidated Statement of Operations

	Years Ended December 31		
	2010	2009	2008
	(Dollars in millions, except per share amounts)		
Product sales	$ 26,262	$ 23,914	$ 29,212
Service sales	7,108	6,994	7,344
Net sales	33,370	30,908	36,556
Costs, expenses and other			
Cost of products sold	20,701	19,317	25,610
Cost of services sold	4,818	4,695	5,508
	25,519	24,012	31,118
Selling, general and administrative expenses	4,717	4,443	5,130
Other (income) expense	(95)	(55)	(748)
Interest and other financial charges	386	459	456
	30,527	28,859	35,956
Income before taxes	2,843	2,049	600
Tax expense (benefit)	808	465	(226)
Net income	2,035	1,584	826
Less: Net income attributable to the noncontrolling interest	13	36	20
Net income attributable to Honeywell	$ 2,022	1,548	806
Earnings per share of common stock-basic	$ 2.61	$ 2.06	$ 1.09
Earnings per share of common stock-assuming dilution	$ 2.59	$ 2.05	$ 1.08
Cash dividends per share of common stock	$ 1.21	$ 1.21	$ 1.10

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Balance Sheet

	December 31,	
	2010	2009
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,650	$ 2,801
Accounts, notes and other receivables	7,068	6,274
Inventories	3,958	3,446
Deferred income taxes	877	1,034
Investments and other current assets	458	381
Total current assets	15,011	13,936
Investments and long-term receivables	616	579
Property, plant and equipment - net	4,840	4,847
Goodwill	11,597	10,494
Other intangible assets - net	2,574	2,174
Insurance recoveries for asbestos related liabilities	825	941
Deferred income taxes	1,218	2,006
Other assets	1,153	1,016
Total assets	$ 37,834	$ 35,993
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,344	$ 3,633
Short-term borrowings	67	45
Commercial paper	299	298
Current maturities of long-term debt	523	1,018
Accrued liabilities	6,484	6,153
Total current liabilities	11,717	11,147
Long-term debt	5,755	6,246
Deferred income taxes	636	542
Postretirement benefit obligations other than pensions	1,477	1,594
Asbestos related liabilities	1,557	1,040
Other liabilities	5,905	6,453
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	3,977	3,823
Common stock held in treasury, at cost	(8,299)	(8,995)
Accumulated other comprehensive income (loss)	(1,067)	(948)
Retained earnings	15,097	14,023
Total Honeywell shareowners' equity	10,666	8,861
Noncontrolling interest	121	110
Total shareowners' equity	10,787	8,971
Total liabilities and shareowners' equity	$ 37,834	$ 35,993

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Statement of Cash Flows

	Years Ended December 31, 2010	2009	2008
	(Dollars in millions)		
Cash flows from operating activities:			
Net income attributable to Honeywell	$ 2,022	$ 1,548	$ 806
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:			
Depreciation and amortization	987	957	903
Gain on sale of non-strategic businesses and assets	—	(87)	(635)
Repositioning and other charges	600	478	1,012
Net payments for repositioning and other charges	(439)	(658)	(446)
Pension and other postretirement expense	689	1,022	3,334
Pension and other postretirement benefit payments	(787)	(189)	(214)
Stock compensation expense	164	118	128
Deferred income taxes	878	47	(1,120)
Excess tax benefits from share based payment arrangements	(13)	(1)	(21)
Other	(24)	261	81
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts, notes and other receivables	(718)	344	392
Inventories	(310)	479	(161)
Other current assets	14	(31)	25
Accounts payable	625	(167)	(152)
Accrued liabilities	515	(175)	(141)
Net cash provided by operating activities	4,203	3,946	3,791
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(651)	(609)	(884)
Proceeds from disposals of property, plant and equipment	14	31	53
Increase in investments	(453)	(24)	(6)
Decrease in investments	112	1	18
Cash paid for acquisitions, net of cash acquired	(1,303)	(468)	(2,181)
Proceeds from sales of businesses, net of fees paid	7	1	909
Other	5	(65)	68
Net cash used for investing activities	(2,269)	(1,133)	(2,023)
Cash flows from financing activities:			
Net increase/(decrease) in commercial paper	1	(1,133)	(325)
Net increase/(decrease) in short-term borrowings	20	(521)	(1)
Payment of debt assumed with acquisitions	(326)	—	—
Proceeds from issuance of common stock	195	37	146
Proceeds from issuance of long-term debt	—	1,488	1,487
Payments of long-term debt	(1,006)	(1,106)	(428)
Excess tax benefits from share based payment arrangements	13	1	21
Repurchases of common stock	—	—	(1,459)
Cash dividends paid	(944)	(918)	(811)
Net cash used for financing activities	(2,047)	(2,152)	(1,370)
Effect of foreign exchange rate changes on cash and cash equivalents	(38)	75	(162)
Net (decrease)/increase in cash and cash equivalents	(151)	736	236
Cash and cash equivalents at beginning of period	2,801	2,065	1,829
Cash and cash equivalents at end of period	$ 2,650	$ 2,801	$ 2,065

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Statement of Shareowners Equity

	2010 Shares	2010 $	2009 Shares	2009 $	2008 Shares	2008 $
	Years Ended December 31,					
	(in millions)					
Common stock, par value	957.6	958	957.6	958	957.6	958
Additional paid-in capital						
Beginning balance		3,823		3,994		4,014
Issued for employee savings and option plans		(35)		(99)		(56)
Contributed to pension plans		32		(190)		(90)
Stock-based compensation expense		157		118		128
Other owner changes		—		—		(2)
Ending balance		3,977		3,823		3,994
Treasury stock						
Beginning balance	(193.4)	(8,995)	(223.0)	(10,206)	(211.0)	(9,479)
Reacquired stock or repurchases of common stock	—	—	—	—	(27.4)	(1,459)
Issued for employee savings and option plans	8.9	328	6.6	281	9.0	427
Contributed to pension plans	9.9	368	23.0	930	6.1	290
Other owner changes	—	—	—	—	0.3	15
Ending balance	(174.6)	(8,299)	(193.4)	(8,995)	(223.0)	(10,206)
Retained earnings						
Beginning balance		14,023		13,391		13,400
Net income attributable to Honeywell		2,022		1,548		806
Dividends paid on common stock		(948)		(916)		(815)
Ending balance		15,097		14,023		13,391
Accumulated other comprehensive income (loss)						
Beginning balance		(948)		(1,078)		329
Foreign exchange translation adjustment		(249)		259		(614)
Pensions and other post retirement benefit adjustments		44		(271)		(718)
Changes in fair value of available for sale investments		90		112		(51)
Changes in fair value of effective cash flow hedges		(4)		30		(24)
Ending balance		(1,067)		(948)		(1,078)
Non controlling interest						
Beginning balance		110		82		71
Acquisitions		2		5		4
Interest sold (bought)		4		—		(3)
Net income attributable to non controlling interest		13		36		20
Foreign exchange translation adjustment		2		(1)		(2)
Dividends paid		(10)		(9)		(7)
Other owner changes		—		(3)		(1)
Ending balance		121		110		82
Total shareowners equity	783.0	10,787	764.2	8,971	734.6	7,141
Comprehensive income						
Net income		2,035		1,584		826
Foreign exchange translation adjustment		(249)		259		(614)
Pensions and other post retirement benefit adjustments		44		(271)		(718)
Changes in fair value of available for sale investments		90		112		(51)
Changes in fair value of effective cash flow hedges		(4)		30		(24)
Total comprehensive income		1,916		1,714		(581)
Comprehensive income attributable to non controlling interest		(15)		(36)		(20)
Comprehensive income (loss) attributable to Honeywell		1,901		1,678		(601)

The Notes to Financial Statements are integral part of this statement.

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note 1—Summary of Significant Accounting Policies

Accounting Principles—The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The following is a description of the significant accounting policies of Honeywell International Inc.

Principles of Consolidation—The consolidated financial statements include the accounts of Honeywell International Inc. and all of its subsidiaries and entities in which a controlling interest is maintained. Our consolidation policy requires equity investments that we exercise significant influence over but do not control the investee and are not the primary beneficiary of the investee's activities to be accounted for using the equity method. Investments through which we are not able to exercise significant influence over the investee and which we do not have readily determinable fair values are accounted for under the cost method. All intercompany transactions and balances are eliminated in consolidation.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and on deposit and highly liquid, temporary cash investments with an original maturity of three months or less.

Inventories—Inventories are valued at the lower of cost or market using the first-in, first-out or the average cost method and the last-in, first-out (LIFO) method for certain qualifying domestic inventories.

Investments—Investments in affiliates over which we have a significant influence, but not a controlling interest, are accounted for using the equity method of accounting. Other investments are carried at market value, if readily determinable, or at cost. All equity investments are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. Significant and sustained decreases in quoted market prices or a series of historic and projected operating losses by investees are strong indicators of other-than-temporary declines. If the decline in fair value is determined to be other-than-temporary, an impairment loss is recorded and the investment is written down to a new carrying value.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost, including any asset retirement obligations, less accumulated depreciation. For financial reporting, the straight-line method of depreciation is used over the estimated useful lives of 10 to 50 years for buildings and improvements and 2 to 16 years for machinery and equipment. Recognition of the fair value of obligations associated with the retirement of tangible long-lived assets is required when there is a legal obligation to incur such costs. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived asset and depreciated over the corresponding asset's useful life. See Note 11 and Note 17 for additional details.

Goodwill and Indefinite-Lived Intangible Assets—Goodwill represents the excess of acquisition costs over the fair value of tangible net assets and identifiable intangible assets of businesses acquired. Goodwill and certain other intangible assets deemed to have indefinite lives are not amortized. Intangible assets determined to have definite lives are amortized over their useful lives. Goodwill and indefinite lived intangible assets are subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. We completed our annual goodwill impairment test as of March 31, 2010 and determined that there was no impairment as of that date. See Note 12 for additional details on goodwill balances.

Other Intangible Assets with Determinable Lives—Other intangible assets with determinable lives consist of customer lists, technology, patents and trademarks and other intangibles and are amortized over their estimated useful lives, ranging from 2 to 24 years.

Long-Lived Assets—We periodically evaluate the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We evaluate events or changes in circumstances based on a number of factors including operating results, business plans and forecasts, general and industry trends and, economic projections and anticipated cash flows. An impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. We also continually evaluate the estimated useful lives of all long-lived assets and periodically revise such estimates based on current events.

Sales Recognition—Product and service sales are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Service sales, principally representing repair, maintenance and engineering activities in our Aerospace and Automation and Control Solutions segments, are recognized over the contractual period or as services are rendered. Sales under long-term contracts in the Aerospace and Automation and Control Solutions segments are recorded on a percentage-of-completion method measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident. Revenues from contracts with multiple element arrangements are recognized as each element is earned based on the relative fair value of each element provided the delivered elements have value to customers on a standalone basis. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately or competitor prices for similar products or services.

Allowance for Doubtful Accounts—We maintain allowances for doubtful accounts for estimated losses as a result of customer's inability to make required payments. We estimate anticipated losses from doubtful accounts based on days past due, as measured from the contractual due date, historical collection history and incorporate changes in economic conditions that may not be reflected in historical trends for example, customers in bankruptcy, liquidation or reorganization. Receivables are written-off against the allowance for doubtful accounts when they are determined uncollectible. Such determination includes analysis and consideration of the particular conditions of the account, including time intervals since last collection, success of outside collection agencies activity, solvency of customer and any bankruptcy proceedings.

Environmental Expenditures—Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not provide future benefits, are expensed as incurred. Liabilities are recorded when environmental remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities.

Asbestos Related Contingencies and Insurance Recoveries—Honeywell is a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrue for pending claims based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with current claimants. We also accrue for the probable value of future NARCO asbestos related claims through 2018 based on the disease criteria and payment values contained in the NARCO trust as described in Note 21. In light of the inherent uncertainties in making long term projections regarding claims filing rates and disease manifestation, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. Regarding Bendix asbestos related claims, we accrue for the estimated value of pending claims based on expected claim resolution values and historic dismissal rates. We also accrue for the estimated cost of future anticipated claims related to Bendix for the next five years based on our assessment of additional claims that may be brought against us and anticipated resolution values in the tort system. We value Bendix pending and future claims using average resolution values for the previous five years. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers.

Aerospace Sales Incentives—We provide sales incentives to commercial aircraft manufacturers and airlines in connection with their selection of our aircraft equipment, predominately wheel and braking system hardware and auxiliary power units, for installation on commercial aircraft. These incentives principally consist of free or deeply discounted products, but also include credits for future purchases of product and upfront cash payments. These costs are recognized in the period incurred as cost of products sold or as a reduction to sales, as appropriate. For aircraft manufacturers, incentives are recorded when the products are delivered; for airlines, incentives are recorded when the associated aircraft are delivered by the aircraft manufacturer to the airline.

(Dollars in millions, except per share amounts)

Research and Development—Research and development costs for company-sponsored research and development projects are expensed as incurred. Such costs are principally included in Cost of Products Sold and were $1,466, $1,330 and $1,543 million in 2010, 2009 and 2008, respectively.

Stock-Based Compensation Plans—The principal awards issued under our stock-based compensation plans, which are described in Note 20, include non-qualified stock options and restricted stock units (RSUs). The cost for such awards is measured at the grant date based on the fair value of the award. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods (generally the vesting period of the equity award) and is included in selling, general and administrative expense in our Consolidated Statement of Operations. Forfeitures are required to be estimated at the time of grant in order to estimate the portion of the award that will ultimately vest. The estimate is based on our historical rates of forfeiture.

Pension and Other Postretirement Benefits— We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. We also sponsor postretirement benefit plans that provide health care benefits and life insurance coverage to eligible retirees.

In 2010 we elected to change our method of recognizing pension expense. Previously, for our U.S. defined benefit pension plans we used the market-related value of plan assets reflecting changes in the fair value of plan assets over a three-year period and net actuarial gains or losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) were recognized over a six-year period. Under our new accounting method, we recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of the corridor annually in the fourth quarter each year (MTM Adjustment). The remaining components of pension expense, primarily service and interest costs and assumed return on plan assets, will be recorded on a quarterly basis (On-going Pension Expense). While the historical policy of recognizing pension expense was considered acceptable, we believe that the new policy is preferable as it eliminates the delay in recognition of actuarial gains and losses outside the corridor.

This change has been reported through retrospective application of the new policy to all periods presented. The impacts of all adjustments made to the financial statements are summarized below:

Consolidated Statement of Operations

	Year Ended December 31, 2009		
	Previously Reported	**Revised**	**Effect of Change**
Cost of products sold	18,637	19,317	680
Cost of services sold	4,548	4,695	147
Selling, general and administrative expenses	4,341	4,443	102
Income before taxes	2,978	2,049	(929)
Tax expense	789	465	(324)
Net income	2,189	1,584	(605)
Net income attributable to Honeywell	2,153	1,548	(605)
Earnings per share of common stock-basic	2.86	2.06	(0.80)
Earnings per share of common stock-assuming dilution	2.85	2.05	(0.80)

(Dollars in millions, except per share amounts)

	Year Ended December 31, 2008		
	Previously Reported	Revised	Effect of Change
Cost of products sold	23,043	25,610	2,567
Cost of services sold	4,951	5,508	557
Selling, general and administrative expenses	5,033	5,130	97
Income before taxes	3,821	600	(3,221)
Tax expense (benefit)	1,009	(226)	(1,235)
Net income	2,812	826	(1,986)
Net income attributable to Honeywell	2,792	806	(1,986)
Earnings per share of common stock-basic	3.79	1.09	(2.70)
Earnings per share of common stock-assuming dilution	3.76	1.08	(2.68)

Consolidated Balance Sheet

	December 31, 2009		
	Previously Reported	Revised	Effect of Change
Deferred income taxes	2,017	2,006	(11)
Total assets	36,004	35,993	(11)
Other liabilities	6,481	6,453	(28)
Accumulated other comprehensive income (loss)	(4,429)	(948)	3,481
Retained earnings	17,487	14,023	(3,464)
Total Honeywell shareowners' equity	8,844	8,861	17
Total shareowners' equity	8,954	8,971	17
Total liabilities and shareowners' equity	36,004	35,993	(11)

Consolidated Statement of Cash Flows

	Year Ended December 31, 2009		
	Previously Reported	Revised	Effect of Change
Cash flows from operating activities:			
Net income attributable to Honeywell	2,153	1,548	(605)
Pension and other postretirement expense	93	1,022	929
Deferred income taxes	371	47	(324)

	Year Ended December 31, 2008		
	Previously Reported	Revised	Effect of Change
Cash flows from operating activities:			
Net income attributable to Honeywell	2,792	806	(1,986)
Pension and other postretirement expense	113	3,334	3,221
Deferred income taxes	115	(1,120)	(1,235)

(Dollars in millions, except per share amounts)

Consolidated Statement of Shareowners Equity

	Year Ended December 31, 2009		
	Previously Reported	Revised	Effect of Change
Retained earnings			
Beginning balance	16,250	13,391	(2,859)
Net income attributable to Honeywell	2,153	1,548	(605)
Ending balance	17,487	14,023	(3,464)
Accumulated other comprehensive income (loss)			
Beginning balance	(3,809)	(1,078)	2,731
Pensions and other post retirement benefit adjustments	(1,021)	(271)	750
Ending balance	(4,429)	(948)	3,481
Total shareowners equity	8,954	8,971	17
Comprehensive income			
Net income	2,189	1,584	(605)
Pensions and other post retirement benefit adjustments	(1,021)	(271)	750
Total comprehensive income	1,569	1,714	145
Comprehensive income (loss) attributable to Honeywell	1,533	1,678	145

	Year Ended December 31, 2008		
	Previously Reported	Revised	Effect of Change
Retained earnings			
Beginning balance	14,273	13,400	(873)
Net income attributable to Honeywell	2,792	806	(1,986)
Ending balance	16,250	13,391	(2,859)
Accumulated other comprehensive income (loss)			
Beginning balance	(544)	329	873
Pensions and other post retirement benefit adjustments	(2,576)	(718)	1,858
Ending balance	(3,809)	(1,078)	2,731
Total shareowners equity	7,269	7,141	(128)
Comprehensive income			
Net income	2,812	826	(1,986)
Pensions and other post retirement benefit adjustments	(2,576)	(718)	1,858
Total comprehensive income	(453)	(581)	(128)
Comprehensive income (loss) attributable to Honeywell	(473)	(601)	(128)

Foreign Currency Translation—Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. Sales, costs and expenses are translated at the average exchange rates in effect during the year. Foreign currency translation gains and losses are included as a component of Accumulated Other Comprehensive Income (Loss). For subsidiaries operating in highly inflationary environments, inventories and property, plant and equipment, including related expenses, are remeasured at the exchange rate in effect on the date the assets were acquired, while monetary assets and liabilities are remeasured at year-end exchange rates. Remeasurement adjustments for these subsidiaries are included in earnings.

Derivative Financial Instruments—As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes and we do not use leveraged derivative financial instruments. Derivative financial instruments used for hedging purposes must be designated and effective as a hedge of the identified risk exposure at the inception of the contract.

Accordingly, changes in fair value of the derivative contract must be highly correlated with changes in fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

All derivatives are recorded on the balance sheet as assets or liabilities and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in Accumulated Other Comprehensive Income (Loss) and subsequently recognized in earnings when the hedged items impact earnings. Cash flows of such derivative financial instruments are classified consistent with the underlying hedged item.

Transfers of Financial Instruments— Sales, transfers and securitization of financial instruments are accounted for under authoritative guidance for the transfers and servicing of financial assets and extinguishments of liabilities.

We sell interests in designated pools of trade accounts receivables to third parties. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion. As a result, these program receivables are not accounted for as a sale and remain on the Consolidated Balance Sheet with a corresponding amount recorded as either Short-term borrowings or Long-term debt.

At times we also transfer trade and other receivables that qualify as a sale and are thus are removed from the Consolidated Balance Sheet at the time they are sold. The value assigned to any subordinated interests and undivided interests retained in receivables sold is based on the relative fair values of the interests retained and sold. The carrying value of the retained interests approximates fair value due to the short-term nature of the collection period for the receivables.

Income Taxes—Deferred tax liabilities or assets reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, as defined by the authoritative guidance for uncertainty in income taxes, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the tax filings of the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Earnings Per Share—Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding.

Use of Estimates—The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures in the accompanying notes. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements—Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for transfers of financial assets. The guidance requires additional disclosures for transfers of financial assets and changes the requirements for derecognizing financial assets. The guidance was effective for fiscal years beginning after November 15, 2009. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities. The guidance affects the overall consolidation analysis and requires enhanced disclosures on involvement with variable interest entities. The guidance was effective for fiscal years beginning after November 15, 2009. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In October 2009, the FASB issued amendments to the accounting and disclosure for revenue recognition. These amendments, effective for fiscal years beginning on or after June 15, 2010 (early adoption is permitted), modify the criteria for recognizing revenue in multiple element arrangements and the scope of what constitutes a non-software deliverable. The Company has elected to early adopt this guidance, on a prospective basis for applicable transactions originating or materially modified after January 1, 2010. The implementation of this amended accounting guidance did not have a material impact on our consolidated financial position and results of operations in the period of adoption. Adoption impacts in future periods will vary based upon the nature and volume of new or materially modified transactions but are not expected to have a significant impact on sales.

Note 2—Acquisitions and Divestitures

We acquired businesses for an aggregate cost of $1,303, $468 and $2,181 million in 2010, 2009 and 2008, respectively. For all of our acquisitions the acquired businesses were recorded at their estimated fair values at the dates of acquisition. Significant acquisitions made in these years are discussed below.

In October 2010, we completed the acquisition of the issued and outstanding shares of Sperian Protection (Sperian), a French company that operates globally in the personal protection equipment design and manufacturing industry. Sperian had reported 2009 revenues of approximately $900 million.

The aggregate value, net of cash acquired, was approximately $1,475 million (including the assumption of approximately $326 million of outstanding debt) and was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

The following table summarizes the estimated fair values of the assets and liabilities acquired as of the acquisition date.

(Dollars in millions, except per share amounts)

Accounts and other receivables	$	118
Inventories		167
Other current assets		8
Property, plant and equipment		106
Intangible assets		619
Other assets and deferred charges		4
Accounts payable		(63)
Accrued liabilities		(104)
Deferred income taxes		(214)
Long-term debt		(326)
Other long-term liabilities		(64)
Net assets acquired		251
Goodwill		898
Purchase price	$	1,149

We have assigned $619 million to intangible assets, predominantly customer relationships, trade names, and technology. These intangible assets are being amortized over their estimated lives which range from 3 to 20 years using straight line and accelerated amortization methods. Included in this amount, a value of approximately $203 million has been assigned to trade names intangibles determined to have indefinite lives. The excess of the purchase price over the estimated fair values of net assets acquired is approximately $898 million and was recorded as goodwill. This goodwill arises primarily from the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to develop a business with a product offering and customer base comparable to Sperian and the expected cost synergies that will be realized through the consolidation of the acquired business into our Automations and Controls Solutions segment. These cost synergies are expected to be realized principally in the areas of selling, general and administrative expenses, material sourcing and manufacturing. This goodwill is non-deductible for tax purposes. The results from the acquisition date through December 31, 2010 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements. As of December 31, 2010, the purchase accounting for Sperian is subject to final adjustment primarily for useful lives of intangible assets, amounts allocated to intangible assets and goodwill, for certain pre-acquisition contingencies, and for settlement of post-closing purchase price adjustments.

In August 2009, the Company completed the acquisition of the RMG Group (RMG Regel + Messtechnik GmbH), a natural gas measuring and control products, services and integrated solutions company, for a purchase price of approximately $416 million, net of cash acquired. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned $174 million to identifiable intangible assets, predominantly customer relationships, existing technology and trademarks. These intangible assets are being amortized over their estimated lives which range from 1 to 15 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired (approximating $225 million), was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the acquisition method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2009 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In May 2008, the Company completed the acquisition of Safety Products Holding, Inc, which through its subsidiary Norcross Safety Products L.L.C. (Norcross) is a leading manufacturer of personal protective equipment. The purchase price, net of cash acquired, was approximately $1,221 million and was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

The following table summarizes the estimated fair values of the assets and liabilities acquired as of the acquisition date.

(Dollars in millions, except per share amounts)

Accounts and other receivables	$	102
Inventories		118
Other current assets		28
Property, plant and equipment		65
Intangible assets		702
Other assets and deferred charges		3
Accounts payable		(27)
Accrued liabilities		(74)
Deferred income taxes		(274)
Other long-term liabilities		(26)
Net assets acquired		617
Goodwill		604
Purchase price	$	1,221

The Company has assigned $702 million to intangible assets, predominantly customer relationships, trade names, and technology. These intangible assets are being amortized over their estimated lives which range from 1 to 20 years using straight line and accelerated amortization methods. The value assigned to the trade names of approximately $257 million is classified as an indefinite lived intangible. The excess of the purchase price over the estimated fair values of net assets acquired (approximately $604 million) was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2008 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In July 2008, the Company completed the sale of its Consumables Solutions business to B/E Aerospace (B/E) for $1,050 million, consisting of approximately $901 million in cash and six million shares of B/E common stock. In connection with the completion of the sale, the Company and B/E entered into, among other things, exclusive supply and license agreements and a stockholder agreement. Because of the extent of the Company's cash flows associated with the supply and license agreements, the Consumables Solutions business is not classified as discontinued operations. The provisions of the license and supply agreements were determined to be at-market. As such, we have not allocated any portion of the proceeds to these agreements. The pre-tax gain of $623 million was classified as Other (Income)/Expense in our Statement of Operations. The gain on sale was approximately $417 million net of tax. The sale of the Consumables Solutions business, within the Aerospace segment, is consistent with the Company's strategic focus on core product areas utilizing advanced technologies.

In July 2008, the Company completed the acquisition of Metrologic Instruments, Inc. (Metrologic), a leading manufacturer of data capture and collection hardware and software, for a purchase price of approximately $715 million, net of cash acquired. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date. The Company has assigned $248 million to identifiable intangible assets, predominantly customer relationships, technology and trademarks. These intangible assets are being amortized over their estimated lives which range from 1-15 years using straight line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired (approximately $440 million) was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2008, are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In January 2011, the Company entered into a definitive agreement to sell its Consumer Products Group business (CPG) to Rank Group Limited for approximately $950 million. The sale, which is subject to customary closing conditions, including the receipt of regulatory approvals, is expected to close in the third quarter of 2011. We currently estimate that the transaction will result in a pre-tax gain of approximately $350 million, approximately $200 million net of tax. The sale of CPG, within the Transportation Systems segment, is consistent with the Company's strategic focus on its portfolio of differentiated global technologies.

In connection with all acquisitions in 2010, 2009 and 2008, the amounts recorded for transaction costs and the costs of integrating the acquired businesses into Honeywell were not material.

(Dollars in millions, except per share amounts)

The pro forma results for 2010, 2009 and 2008, assuming these acquisitions had been made at the beginning of the year, would not be materially different from consolidated reported results.

Note 3—Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Years Ended December 31,		
	2010	2009	2008
Severance	$ 145	$ 206	$ 333
Asset impairments	22	8	78
Exit costs	14	10	33
Reserve adjustments	(30)	(53)	(20)
Total net repositioning charge	151	171	424
Asbestos related litigation charges, net of insurance	175	155	125
Probable and reasonably estimable environmental liabilities	212	145	465
Other	62	7	(2)
Total net repositioning and other charges	$ 600	$ 478	$ 1,012

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification:

	Years Ended December 31,		
	2010	2009	2008
Cost of products and services sold	$ 560	$ 411	$ 908
Selling, general and administrative expenses	40	67	104
	$ 600	$ 478	$ 1,012

The following table summarizes the pretax impact of total net repositioning and other charges by segment:

	Years Ended December 31,		
	2010	2009	2008
Aerospace	$ 32	$ 31	$ 84
Automation and Control Solutions	79	70	164
Specialty Materials	18	9	42
Transportation Systems	180	173	233
Corporate	291	195	489
	$ 600	$ 478	$ 1,012

In 2010, we recognized repositioning charges totaling $181 million including severance costs of $145 million related to workforce reductions of 2,807 manufacturing and administrative positions primarily in our Automation and Control Solutions, Aerospace and Transportation Systems segments. The workforce reductions were primarily related to the planned shutdown of certain manufacturing facilities in our Automation and Control Solutions and Transportation Systems segments, cost savings actions taken in connection with our ongoing functional transformation and productivity initiatives, factory transitions in our Aerospace, Automation and Control Solutions and Specialty Materials segments to more cost-effective locations, achieving acquisition-related synergies in our Automation and Control Solutions segment, and the exit and/or rationalization of certain product lines in our Specialty Materials segment. The repositioning charge also included asset impairments of $22 million principally related to manufacturing plant and equipment associated with the exit and/or rationalization of certain product lines and in facilities scheduled to close. Also, $30 million of previously established accruals, primarily for severance at our Automation and Control Solutions, Transportation Systems and Aerospace segments, were returned to income in 2010 due to fewer employee separations than originally planned associated with prior severance programs.

(Dollars in millions, except per share amounts)

In 2009, we recognized repositioning charges totaling $224 million primarily for severance costs related to workforce reductions of 4,423 manufacturing and administrative positions mainly in our Automation and Control Solutions, Transportation Systems and Aerospace segments. The workforce reductions were primarily related to the adverse market conditions experienced by many of our businesses, cost savings actions taken in connection with our ongoing functional transformation initiative, the planned downsizing or shutdown of certain manufacturing facilities, and organizational realignments of portions of our Aerospace and Transportation Systems segments. Also, $53 million of previously established accruals, primarily for severance at our Automation and Control Solutions, Aerospace, and Transportation Systems segments, were returned to income in 2009 due to fewer employee separations than originally planned associated with prior severance programs and changes in the scope of previously announced repositioning actions.

In 2008, we recognized repositioning charges totaling $444 million including severance costs of $333 million related to workforce reductions of 7,480 manufacturing and administrative positions across all of our segments. The workforce reductions primarily relate to the planned downsizing or shutdown of certain manufacturing facilities in our Aerospace, Automation and Control Solutions and Transportation Systems segments, the rationalization of non-manufacturing infrastructure, outsourcing of non-core components, managing capacity utilization to address product demand volatility and our functional transformation initiative. The repositioning charge also included asset impairments of $78 million principally related to manufacturing plant and equipment in facilities scheduled to close or be downsized and certain administrative facilities, and information technology equipment in our Corporate segment. Also, $20 million of previously established accruals, primarily for severance at our Automation and Control Solutions segment were returned to income in 2008 due mainly to fewer employee separations than originally planned associated with prior severance programs.

The following table summarizes the status of our total repositioning reserves:

	Severance Costs	Asset Impairments	Exit Costs	Total
Balance at December 31, 2007	$ 201	$ —	$ 11	$ 212
2008 charges	333	78	33	444
2008 usage - cash	(149)	—	(8)	(157)
2008 usage - noncash	—	(78)	—	(78)
Adjustments	(20)	—	—	(20)
Balance at December 31, 2008	365	—	36	401
2009 charges	206	8	10	224
2009 usage - cash	(193)	—	(7)	(200)
2009 usage - noncash	—	(8)	—	(8)
Adjustments	(51)	—	(2)	(53)
Divestitures(1)	(24)	—	—	(24)
Balance at December 31, 2009	303	—	37	340
2010 charges	145	22	14	181
2010 usage - cash	(134)	—	(17)	(151)
2010 usage - noncash	—	(22)	—	(22)
Adjustments	(30)	—	—	(30)
Foreign currency translation	(8)	—	—	(8)
Balance at December 31, 2010	$ 276	$ —	$ 34	$ 310

(1) Relates to businesses divested during 2009 included in Gain on Sale of Non-Strategic Businesses and Assets see Note 4, Other (Income) Expense.

Certain repositioning projects in our Aerospace, Automation and Control Solutions and Transportation Systems segments included exit or disposal activities, the costs related to which will be recognized in future periods when the actual liability is incurred. The nature of these exit or disposal costs principally includes product recertification and requalification and employee training and travel. The following tables summarize by segment, expected, incurred and remaining exit and disposal costs related to 2010 and 2008 repositioning actions which we were not able to recognize at the time the actions were initiated. The exit and disposal costs related to the repositioning actions in 2009, which we were not able to recognize at the time the actions were initiated were not significant.

(Dollars in millions, except per share amounts)

2008 Repositioning Actions	Aerospace	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	$ 107	$ 27	$ 6	$ 140
Costs incurred year ended December 31, 2008	(12)	—	(1)	(13)
Costs incurred year ended December 31, 2009	(44)	(1)	(2)	(47)
Costs incurred year ended December 31, 2010	(48)	(8)	(1)	(57)
Remaining exit and disposal costs at December 31, 2010	$ 3	$ 18	$ 2	$ 23

2010 Repositioning Actions	Aerospace	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	$ 9	$ 10	$ 3	$ 22
Costs incurred year ended December 31, 2010	—	—	—	—
Remaining exit and disposal costs at December 31, 2010	$ 9	$ 10	$ 3	$ 22

In 2010, we recognized a charge of $212 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $175 million. Environmental and Asbestos Matters are discussed in detail in Note 21. We also recognized other charges of $62 million in connection with the evaluation of potential resolution of certain legal matters.

In 2009, we recognized a charge of $145 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $155 million.

In 2008, we recognized a charge of $465 million for environmental liabilities deemed probable and reasonably estimable during the year, of which $309 million was recognized in the third quarter which included:

- $100 million related to the resolution of technical design issues regarding the remediation plan for Onondaga Lake ("Lake") (as previously reported, the ultimate cost of the remediation of the Lake depended upon the resolution of these issues);
- $90 million for the estimated cost of proposed remedial actions to be taken at other sites located in Syracuse, New York in accordance with remediation plans submitted to state environmental regulators; and
- $38 million primarily related to changes in cost estimates (due to, among other things, increases in the cost of steel, waste transportation and disposal costs) and settlement costs relating to the remediation of the New Jersey Chrome sites known as Study Areas 5, 6 and 7.

We also recognized asbestos related litigation charges, net of insurance, of $125 million.

(Dollars in millions, except per share amounts)

Note 4—Other (income) expense

	Years Ended December 31,		
	2010	2009	2008
Equity (income)/loss of affiliated companies	$ (29)	$ (26)	$ (63)
Gain on sale of non-strategic businesses and assets	—	(87)	(635)
Interest income	(40)	(33)	(102)
Foreign exchange	13	45	52
Other, net	(39)	46	—
	$ (95)	$ (55)	$ (748)

Other, net for 2010 includes a $62 million pre-tax gain, $39 million net of tax, related to the consolidation of a joint venture within our Specialty Materials segment. The Company obtained control and the ability to direct those activities most significant to the joint venture's economic performance in the third quarter, resulting in consolidation. Accordingly, we have i) recognized the assets and liabilities at fair value, ii) included the results of operations in the consolidated financial statements from the date of consolidation and iii) recognized the above noted gain representing the difference between the carrying amount and fair value of our previously held equity method investment. The Company has assigned $24 million to intangibles, predominantly the joint venture's customer contracts. These intangible assets are being amortized over their estimated lives using the straight line method. The excess of the book value over the estimated fair values of the net assets consolidated approximating $132 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. The results from the consolidation date through December 31, 2010 are included in the Specialty Materials segment and were not material to the consolidated financial statements.

Gain on sale of non-strategic businesses and assets for 2009 includes a $50 million pre-tax gain, $42 million net of tax, related to the deconsolidation of a subsidiary within our Automation and Control Solutions segment. The subsidiary achieved contractual milestones at December 31, 2009 and as a result, we are no longer the primary beneficiary, resulting in deconsolidation. We continue to hold a non-controlling interest which was recorded at its estimated fair value of $67 million upon deconsolidation. The fair value was estimated using a combination of a market and income approaches utilizing observable market data for comparable businesses and discounted cash flow modeling. Our non-controlling interest, classified within Investments and long-term receivables on our Balance Sheet will be accounted for under the equity method on a prospective basis.

Other, net for 2009 includes an other than-temporary impairment charge of $62 million. See Note 16 Financial Instruments and Fair Value Measures for further details.

Gain on sale of non-strategic businesses and assets for 2008 includes a $623 million pre-tax gain related to the sale of our Consumables Solutions business. See Note 2 for further details.

Note5—Interest and Other Financial Charges

	Years Ended December 31,		
	2010	2009	2008
Total interest and other financial charges	$ 402	$ 474	$ 482
Less—capitalized interest	(16)	(15)	(26)
	$ 386	$ 459	$ 456

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 2010 and 2009 was 1.64 percent and 1.47 percent, respectively.

(Dollars in millions, except per share amounts)

Note 6—Income Taxes

Income from continuing operations before taxes

	Years Ended December 31, 2010	2009	2008
United States	$ 1,249	$ 1,138	$ (1,140)
Foreign	1,594	911	1,740
	$ 2,843	$ 2,049	$ 600

Tax expense (benefit)

	Years Ended December 31, 2010	2009	2008
United States	$ 393	$ 294	$ (521)
Foreign	415	171	295
	$ 808	$ 465	$ (226)

	Years Ended December 31, 2010	2009	2008
Tax Expense consists of Current:			
United States	$ (471)	$ (27)	$ 493
State	8	21	70
Foreign	393	424	331
	$ (70)	$ 418	$ 894
Deferred:			
United States	$ 784	$ 283	$ (939)
State	72	17	(145)
Foreign	22	(253)	(36)
	878	47	(1,120)
	$ 808	$ 465	$ (226)

	Years Ended December 31, 2010	2009	2008
The U.S. statutory federal income tax rate is reconciled to our effective income tax rate as follows:			
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Taxes on foreign earnings below U.S. tax rate(1)	(7.1)	(7.9)	(40.9)
State income taxes(1)	1.6	1.5	(7.3)
Manufacturing incentives	—	(1.5)	(4.1)
ESOP dividend tax benefit	(0.8)	(1.1)	(3.3)
Tax credits	(1.2)	(1.8)	(6.6)
Audit settlements	0.1	(0.7)	(9.6)
All other items—net	0.8	(0.8)	(0.9)
	28.4%	22.7%	(37.7)%

(1) Net of changes in valuation allowance

(Dollars in millions, except per share amounts)

The effective tax rate increased by 5.7 percentage points in 2010 compared with 2009 primarily due to a change in the mix of earnings related to lower U.S. pension expense, the impact of an enacted change in the tax treatment of the Medicare Part D program, the absence of manufacturing incentives, a decreased impact from the settlement of audits and an increase in the foreign effective tax rate. The foreign effective tax rate increased by approximately 7 percentage points which primarily consisted of i) a 6 percentage point impact from the absence of tax benefits related to foreign exchange and investment losses and ii) a 0.5 percentage point impact from increased valuation allowances on net operating losses.

The effective tax rate increased by 60.4 percentage points in 2009 compared to 2008 primarily due to a decrease in the mix of earnings related to lower U.S. pension expense and to a lesser extent, a decreased impact from the settlement of audits.

Deferred tax assets (liabilities)

Deferred income taxes represent the future tax effects of transactions which are reported in different periods for tax and financial reporting purposes. The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables are as follows:

	December 31, 2010	December 31, 2009
Property, plant and equipment basis differences	$ (1,113)	$ (888)
Postretirement benefits other than pensions and post employment benefits	674	785
Investment and other asset basis differences	(993)	(758)
Other accrued items	2,348	3,024
Net operating and capital losses	875	818
Tax credits	249	137
Undistributed earnings of subsidiaries	(40)	(40)
All other items—net	15	(61)
	2,015	3,017
Valuation allowance	(636)	(578)
	$ 1,379	$ 2,439

There were $35 million of U.S. federal tax net operating losses available for carryforward at December 31, 2010 which were generated by certain subsidiaries prior to their acquisition and have expiration dates through 2029. The use of pre-acquisition operating losses is subject to limitations imposed by the Internal Revenue Code. We do not anticipate that these limitations will affect utilization of the carryforwards prior to their expiration. The Company has state tax net operating loss carryforwards of $3.2 billion at December 31, 2010 with varying expiration dates through 2030. We also have foreign net operating and capital losses of $2.8 billion which are available to reduce future income tax payments in several countries, subject to varying expiration rules.

We have U.S. federal tax credit carryforwards of $311 million at December 31, 2010, including foreign tax credits, research and other general business credits with various expiration dates through 2030. We also have state tax credit carryforwards of $64 million at December 31, 2010, including carryforwards of $37 million with various expiration dates through 2025 and tax credits of $27 million which are not subject to expiration.

The valuation allowance against deferred tax assets increased by $58 million and $133 million in 2010 and 2009, respectively, and decreased by $45 million in 2008. The 2010 increase in the valuation allowance was primarily due to increased foreign net operating losses related to France, Luxembourg, and the Netherlands offset by the reversal of a valuation allowance related to Germany. The 2010 increase in valuations allowance also includes adjustments related to purchase accounting for various acquisitions. The 2009 increase in the valuation allowance was primarily due to a increased foreign net operating losses related to Germany, Luxembourg, and the Netherlands. The 2008 decrease in the valuation allowance was primarily due to a decrease in the valuation allowance related to federal and state capital loss carryforwards partially offset by increased foreign net operating losses.

(Dollars in millions, except per share amounts)

Federal income taxes have not been provided on undistributed earnings of the majority of our international subsidiaries as it is our intention to reinvest these earnings into the respective subsidiaries. At December 31, 2010 Honeywell has not provided for U.S. federal income and foreign withholding taxes on approximately $6.0 billion of such earnings of our non-U.S. operations. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated, and foreign tax credits would be available to reduce or eliminate the resulting U.S. income tax liability.

We had $757 million, $720 million and $671 million of unrecognized tax benefits as of December 31, 2010, 2009, and 2008 respectively. If recognized, $757 million would be recorded as a component of income tax expense as of December 31, 2010. For the years ended December 31, 2010 and 2009, the Company increased its unrecognized tax benefits by $37 million and $49 million, respectively, due to additional reserves for various international and U.S. tax audit matters, partially offset by adjustments related to our ongoing assessments of the likelihood and amount of potential outcomes of current and future examinations, the expiration of various statute of limitations, and settlements with tax authorities. The following table summarizes the activity related to our unrecognized tax benefits:

	2010	2009	2008
Change in unrecognized tax benefits:			
Balance at beginning of year	$ 720	$ 671	$ 666
Gross increases related to current period tax positions	37	86	81
Gross increases related to prior periods tax positions	84	86	106
Gross decreases related to prior periods tax positions	(41)	(77)	(54)
Decrease related to settlements with tax authorities	(23)	(44)	(42)
Expiration of the statute of limitations for the assessment of taxes	(8)	(8)	(64)
Foreign currency translation	(12)	6	(22)
Balance at end of year	$ 757	$ 720	$ 671

In many cases our uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. The following table summarizes these open tax years by major jurisdiction as of December 31, 2010:

	Open Tax Year	
Jurisdiction	Examination in progress	Examination not yet initiated
United States (1)	2000–2008	2005–2010
United Kingdom	2003-2008	2009-2010
Canada(1)	2005-2008	2009-2010
Germany(1)	2004-2008	2009-2010
France	2007-2009	2000–2006, 2010
Netherlands	2007-2008	2009-2010
Australia	N/A	2008-2010
China	2000-2009	2010
India	1999–2008	2009-2010

(1) includes federal as well as state, provincial or similar local jurisdictions, as applicable.

Based on the outcome of these examinations, or as a result of the expiration of statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns will materially change from those recorded as liabilities for uncertain tax positions in our financial statements. In addition, the outcome of these examinations may impact the valuation of certain deferred tax assets (such as net operating losses) in future periods. Based on the number of tax years currently under audit by the relevant U.S federal, state and foreign tax authorities, the Company anticipates that several of these audits may be finalized in the foreseeable future. However, based on the status of these examinations, the protocol of finalizing audits by the relevant taxing authorities, and the possibility that the Company might challenge certain audit findings (which could include formal legal proceedings), at this time it is not possible to estimate the impact of any amount of such changes, if any, to previously recorded uncertain tax positions.

(Dollars in millions, except per share amounts)

Unrecognized tax benefits for examinations in progress were $274 million, $261 million and $249 million, as of December 31, 2010, 2009, and 2008, respectively. These increases are primarily due to an increase in tax examinations and fewer settlements during the year. Estimated interest and penalties related to the underpayment of income taxes are classified as a component of Tax Expense in the Consolidated Statement of Operations and totaled $33 million, $13 million and $19 million for the years ended December 31, 2010, 2009, and 2008, respectively. Accrued interest and penalties were $183 million, $150 million and $137 million, as of December 31, 2010, 2009, and 2008, respectively.

Note 7—Earnings Per Share

The details of the earnings per share calculations for the years ended December 31, 2010 and 2009 are as follows:

	Years Ended December 31,		
Basic	**2010**	**2009**	**2008**
Net income attributable to Honeywell	$ 2,022	$ 1,548	$ 806
Weighted average shares outstanding	773.5	752.6	736.8
Earnings per share of common stock	$ 2.61	$ 2.06	$ 1.09

	Years Ended December 31,		
Assuming Dilution	**2010**	**2009**	**2008**
Net income attributable to Honeywell	$ 2,022	$ 1,548	$ 806
Average Shares			
Weighted average shares outstanding	773.5	752.6	736.8
Dilutive securities issuable - stock plans	7.4	3.1	6.8
Total weighted average shares outstanding	780.9	755.7	743.6
Earnings per share of common stock	$ 2.59	$ 2.05	$ 1.08

The diluted earnings per share calculations exclude the effect of stock options when the options' assumed proceeds exceed the average market price of the common shares during the period. In 2010, 2009, and 2008 the weighted number of stock options excluded from the computations were 14.8, 34.0, and 17.8, respectively. These stock options were outstanding at the end of each of the respective periods.

Note 8—Accounts, Notes and Other Receivables

	December 31,	
	2010	**2009**
Trade	$ 6,698	$ 6,183
Other	647	326
	7,345	6,509
Less - Allowance for doubtful accounts	(277)	(235)
	$ 7,068	$ 6,274

Trade Receivables includes $1,307, and $1,167 million of unbilled balances under long-term contracts as of December 31, 2010 and December 31, 2009, respectively. These amounts are billed in accordance with the terms of customer contracts to which they relate.

(Dollars in millions, except per share amounts)

Note 9—Inventories

	December 31, 2010	December 31, 2009
Raw materials	$ 1,158	$ 988
Work in process	810	796
Finished products	2,144	1,823
	4,112	3,607
Reduction to LIFO cost basis	(154)	(161)
	$ 3,958	$ 3,446

Inventories valued at LIFO amounted to $248 and $211 million at December 31, 2010 and 2009, respectively. Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $154 and $161 million higher at December 31, 2010 and 2009, respectively.

During the year ended December 31, 2009, the quantity of inventory valued using the last-in, first-out (LIFO) method in our Specialty Materials segment declined. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2009 purchases, the effect of which decreased cost of products sold by $12 million during the year ended December 31, 2009.

Note 10—Investments and Long-Term Receivables

	December 31, 2010	December 31, 2009
Investments	$ 413	$ 262
Long-term trade and other receivables	83	175
Long-term financing receivables	120	142
	$ 616	$ 579

Long-Term Trade and Other Receivables include $19 and $27 million of unbilled balances under long-term contracts as of December 31, 2010 and 2009, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

The following table summarizes long term trade, financing and other receivables by segment, including current portions and allowances for credit losses.

	December 31, 2010
Automation and Control Solutions	160
Specialty Materials	11
Transportation Systems	8
Corporate	29
	$ 208

Allowance for credit losses for the above detailed long-term trade, financing and other receivables totaled $7 million and $7 million as of December 31, 2010 and 2009, respectively. The receivables are evaluated for impairment on an individual basis, including consideration of credit quality. The above detailed financing receivables are predominately with commercial and governmental counterparties of investment grade credit quality.

(Dollars in millions, except per share amounts)

Note 11—Property, Plant and Equipment

	December 31, 2010	December 31, 2009
Land and improvements	$ 525	$ 513
Machinery and equipment	10,204	9,982
Buildings and improvements	2,669	2,621
Construction in progress	403	405
	13,801	13,521
Less—Accumulated depreciation and amortization	(8,961)	(8,674)
	$ 4,840	$ 4,847

Depreciation expense was $724, $707 and $702 million in 2010, 2009 and 2008, respectively.

Note 12—Goodwill and Other Intangible Assets - Net

The change in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 by segment is as follows:

	December 31, 2009	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2010
Aerospace	$ 1,891	$ —	$ —	$ (8)	$ 1,883
Automation and Control Solutions	6,918	1,074	—	(85)	7,907
Specialty Materials	1,164	132	—	(5)	1,291
Transportation Systems	521	—	—	(5)	516
	$ 10,494	$ 1,206	$ —	$ (103)	$ 11,597

	December 31, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Determinable life intangibles:						
Patents and technology	$ 1,101	$ (676)	$ 425	$ 1,053	$ (595)	$ 458
Customer relationships	1,688	(399)	1,289	1,359	(282)	1,077
Trademarks	186	(84)	102	164	(62)	102
Other	512	(404)	108	514	(406)	108
	3,487	(1,563)	1,924	3,090	(1,345)	1,745
Indefinite life intangibles:						
Trademarks	650	—	650	429	—	429
	$ 4,137	$ (1,563)	$ 2,574	$ 3,519	$ (1,345)	$ 2,174

Intangible assets amortization expense was $263, $250, and $201 million in 2010, 2009, 2008, respectively. Estimated intangible asset amortization expense for each of the next five years approximates $259 million in 2011, $253 million in 2012, $228 million in 2013, $196 million in 2014, and $161 in 2015.

(Dollars in millions, except per share amounts)

Note 13—Accrued Liabilities

	December 31, 2010	December 31, 2009
Compensation, benefit and other employee related	$ 1,376	$ 1,183
Customer advances and deferred income	1,703	1,432
Income taxes	466	455
Environmental costs	328	314
Asbestos related liabilities	162	654
Product warranties and performance guarantees	380	382
Repositioning	310	340
Other taxes (payroll, sales, VAT etc.)	249	158
Insurance	179	118
Accrued interest	116	145
Other (primarily operating expenses)	1,215	972
	$ 6,484	$ 6,153

Note 14—Long-term Debt and Credit Agreements

	December 31, 2010	December 31, 2009
7.50% notes due 2010	$ —	$ 1,000
6.125% notes due 2011	500	500
5.625% notes due 2012	400	400
4.25% notes due 2013	600	600
3.875% notes due 2014	600	600
5.40% notes due 2016	400	400
5.30% notes due 2017	400	400
5.30% notes due 2018	900	900
5.00% notes due 2019	900	900
Industrial development bond obligations, floating rate maturing at various dates through 2037	46	47
6.625% debentures due 2028	216	216
9.065% debentures due 2033	51	51
5.70% notes due 2036	550	550
5.70% notes due 2037	600	600
Other (including capitalized leases), 0.6%-15.5% maturing at various dates through 2023	115	100
	6,278	7,264
Less current portion	(523)	(1,018)
	$ 5,755	$ 6,246

The schedule of principal payments on long term debt is as follows:

	December 31, 2010
2011	$ 523
2012	412
2013	610
2014	607
2015	1
Thereafter	4,125
	6,278
Less-current portion	(523)
	$ 5,755

We maintain a $2,800 million five year committed revolving credit facility with a group of banks, arranged by Citigroup Global Markets Inc. and J.P.Morgan Securities Inc. which is in place through May 14, 2012. This credit facility contains a $700 million sub-limit for the issuance of letters of credit. The credit facility is maintained for general corporate purposes, including support for the issuance of commercial paper. We had no borrowings outstanding or letters of credit issued under the credit facility at December 31, 2010.

The credit agreement does not restrict our ability to pay dividends and contains no financial covenants. The failure to comply with customary conditions or the occurrence of customary events of default contained in the credit agreement would prevent any further borrowings and would generally require the repayment of any outstanding borrowings under the credit agreement. Such events of default include: (a) non-payment of credit agreement debt, interest or fees; (b) non-compliance with the terms of the credit agreement covenants; (c) cross-default to other debt in certain circumstances; (d) bankruptcy; and (e) defaults upon obligations under Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend additional funds or issue letters of credit under the agreement if any person or group acquires beneficial ownership of 30 percent or more of our voting stock, or, during any 12-month period, individuals who were directors of Honeywell at the beginning of the period cease to constitute a majority of the Board of Directors.

Loans under the credit facility are required to be repaid no later than May 14, 2012. We have agreed to pay a facility fee of 0.05 percent per annum on the aggregate commitment.

Interest on borrowings under the credit facility would be determined, at Honeywell's option, by (a) an auction bidding procedure; (b) the highest of the floating base rate publicly announced by Citibank, N.A., 0.5 percent above the average CD rate, or 0.5 percent above the Federal funds rate; or (c) the Eurocurrency rate plus 0.15 percent (applicable margin).

The facility fee, the applicable margin over the Eurocurrency rate and the letter of credit issuance fee, are subject to change, based upon a grid determined by our long term debt ratings. The credit agreement is not subject to termination based upon a decrease in our debt ratings or a material adverse change.

In February 2009, the Company issued $600 million 3.875% Senior Notes due 2014 and $900 million 5.00% Senior Notes due 2019 (collectively, the "2009 Senior Notes"). The 2009 Senior Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of $1,500 million, offset by $12 million in discount and issuance costs.

In the first quarter of 2009, the Company repaid $493 million of its floating rate notes. In the third quarter of 2009, the Company repaid $500 million of its floating rate notes and $100 million of its zero coupon bonds and money multiplier notes.

In the first quarter of 2010, the Company repaid $1,000 million of its 7.50% notes. The repayment was funded with cash provided by operating activities.

As a source of liquidity, we sell interests in designated pools of trade accounts receivables to third parties. As of December 31, 2010 and December 31, 2009 none of the receivables in the designated pools had been sold to third parties. When we sell receivables, they are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion, providing us with an additional source of revolving credit. As a result, program receivables remain on the Company's balance sheet with a corresponding amount recorded as either Short-term borrowings or Long-term debt.

Note 15—Lease Commitments

Future minimum lease payments under operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

(Dollars in millions, except per share amounts)

	At December 31, 2010
2011	$ 318
2012	245
2013	192
2014	145
2015	121
Thereafter	332
	$ 1,353

We have entered into agreements to lease land, equipment and buildings. Principally all our operating leases have initial terms of up to 25 years, and some contain renewal options subject to customary conditions. At any time during the terms of some of our leases, we may at our option purchase the leased assets for amounts that approximate fair value. We do not expect that any of our commitments under the lease agreements will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Rent expense was $373, $371 and $383 million in 2010, 2009 and 2008, respectively.

Note 16—Financial Instruments and Fair Value Measures

Credit and Market Risk—Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest and currency exchange rates and commodity prices. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties in derivative transactions are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest rates, currency exchange rates and commodity prices and restrict the use of derivative financial instruments to hedging activities.

We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of our credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Foreign Currency Risk Management—We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency denominated cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency exchange forward and option contracts with third parties.

We hedge monetary assets and liabilities denominated in non-functional currencies. Prior to conversion into U.S. dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other (Income) Expense. We partially hedge forecasted sales and purchases, which predominantly occur in the next twelve months and are denominated in non-functional currencies, with currency forward contracts. Changes in the forecasted non-functional currency cash flows due to movements in exchange rates are substantially offset by changes in the fair value of the currency forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized. Open foreign currency exchange forward contracts mature predominantly in the next twelve months. At December 31, 2010 and 2009, we had contracts with notional amounts of $5,733 million and $2,959 million respectively to exchange foreign currencies, principally the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee, Singapore dollar, and Swedish krona.

Commodity Price Risk Management—Our exposure to market risk for commodity prices can result in changes in our cost of production. We primarily mitigate our exposure to commodity price risk through the use of long-term, fixed-price contracts with our suppliers and formula price agreements with suppliers and customers.

(Dollars in millions, except per share amounts)

We also enter into forward commodity contracts with third parties designated as hedges of anticipated purchases of several commodities. Forward commodity contracts are marked-to-market, with the resulting gains and losses recognized in earnings when the hedged transaction is recognized. At December 31, 2010 and 2009, we had contracts with notional amounts of $23 million and $52 million respectively related to forward commodity agreements, principally base metals and natural gas.

Interest Rate Risk Management— We use a combination of financial instruments, including long-term, medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At December 31, 2010 and 2009, interest rate swap agreements designated as fair value hedges effectively changed $600 million of fixed rate debt at a rate of 3.875 percent to LIBOR based floating debt. Our interest rate swaps mature in 2014.

Fair Value of Financial Instruments— The FASB's accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB's guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
	Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that our available for sale investments are level 1 and our remaining financial assets and liabilities are level 2 in the fair value hierarchy. The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 and 2009:

	December 31, 2010	December 31, 2009
Assets:		
Foreign currency exchange contracts	$ 16	$ 11
Available for sale investments	322	141
Interest rate swap agreements	22	1
Forward commodity contracts	2	4
Liabilities:		
Foreign currency exchange contracts	$ 14	$ 3
Interest rate swap agreements	—	3
Forward commodity contracts	2	—

The foreign currency exchange contracts, interest rate swap agreements, and forward commodity contracts are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2. The Company also holds investments in marketable equity securities, commercial paper, certificates of deposits, and time deposits that are designated as available for sale and are valued using market transactions in over-the-counter markets. As such, these investments are classified within level 2.

(Dollars in millions, except per share amounts)

The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value. The following table sets forth the Company's financial assets and liabilities that were not carried at fair value:

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables	$ 203	$ 199	$ 317	$ 303
Liabilities				
Long-term debt and related current maturities	$ 6,278	$ 6,835	$ 7,264	$ 7,677

In the years ended December 31, 2010 and 2009, the Company had assets with a net book value of $32 million and $72 million, respectively, specifically property, plant and equipment, software and intangible assets, which were accounted for at fair value on a nonrecurring basis. These assets were tested for impairment and based on the fair value of these assets the Company recognized losses of $30 million and $28 million, respectively, in the years ended December 31, 2010 and 2009, primarily in connection with our repositioning actions (see Note 3 Repositioning and Other Charges). The Company has determined that the fair value measurements of these nonfinancial assets are level 3 in the fair value hierarchy.

The Company holds investments in marketable equity securities that are designated as available for sale securities. Due to an other-than-temporary decline in fair value of these investments, the Company recognized an impairment charge of $62 million in the second quarter of 2009 that is included in Other (Income) Expense.

The derivatives utilized for risk management purposes as detailed above are included on the Consolidated Balance Sheet and impacted the Statement of Operations as follows:

Fair value of derivatives classified as assets consist of the following:

		December 31,	
Designated as a Hedge	**Balance Sheet Classification**	**2010**	**2009**
Foreign currency exchange contracts	Accounts, notes, and other receivables	$ 10	$ 8
Interest rate swap agreements	Other assets	22	1
Commodity contracts	Accounts, notes, and other receivables	2	4

		December 31,	
Not Designated as a Hedge	**Balance Sheet Classification**	**2010**	**2009**
Foreign currency exchange contracts	Accounts, notes, and other receivables	$ 6	$ 3

Fair value of derivatives classified as liabilities consist of the following:

		December 31,	
Designated as a Hedge	**Balance Sheet Classification**	**2010**	**2009**
Foreign currency exchange contracts	Accrued liabilities	$ 9	$ 1
Interest rate swap agreements	Accrued liabilities	—	3
Commodity contracts	Accrued liabilities	2	—

		December 31,	
Not Designated as a Hedge	**Balance Sheet Classification**	**2010**	**2009**
Foreign currency exchange contracts	Accrued liabilities	$ 5	$ 3

(Dollars in millions, except per share amounts)

Gains (losses) recognized in OCI (effective portions) consist of the following:

Designated Cash Flow Hedge	Year Ended December, 31 2010	2009
Foreign currency exchange contracts	$ 12	$ 18
Commodity contracts	(7)	(1)

Gains (losses) reclassified from AOCI to income consist of the following:

Designated Cash Flow Hedge	Income Statement Location	Year Ended December 31, 2010	2009
Foreign currency exchange contracts	Product sales	$ (19)	$ 54
	Cost of products sold	30	(44)
	Sales & general administrative	(3)	(1)
Commodity contracts	Cost of products sold	$ (8)	$ (7)

Ineffective portions of foreign currency exchange contracts and commodity derivative instruments designated in cash flow hedge relationships were insignificant in the years ended December 31, 2010 and 2009 and are located in cost of products sold.

Interest rate swap agreements are designated as hedge relationships with gains or (losses) on the derivative recognized in Interest and other financial charges offsetting the gains and losses on the underlying debt being hedged. Gains or (losses) on interest rate swap agreements recognized in earnings were $24 and $(2) million in the years ended December 31, 2010 and 2009 respectively.

We also economically hedge our exposure to changes in foreign exchange rates principally with forward contracts. These contracts are marked-to-market with the resulting gains and losses recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged. We recognized $18 million and $85 million of expense, in Other (Income) Expense for the years ended December 31, 2010 and 2009, respectively.

(Dollars in millions, except per share amounts)

Note 17—Other Liabilities

	Year Ended December 31, 2010	2009
Pension and other employee related	$ 4,216	$ 4,814
Environmental	425	465
Income taxes	562	476
Insurance	177	207
Asset retirement obligations(1)	86	85
Deferred income	94	106
Other	345	300
	$ 5,905	$ 6,453

(1) Asset retirement obligations primarily relate to costs associated with the future retirement of nuclear fuel conversion facilities in our Specialty Materials segment and the future retirement of facilities in our Automation and Control Solutions segment.

A reconciliation of our liability for asset retirement obligations for the year ended December 31, 2010, is as follows:

	2010	2009
Change in asset retirement obligations:		
Balance at beginning of year	$ 85	$ 90
Liabilities settled	(3)	(3)
Adjustments	2	(5)
Accretion expense	2	3
Balance at end of year	$ 86	$ 85

Note 18—Capital Stock

We are authorized to issue up to 2,000,000,000 shares of common stock, with a par value of $1. Common shareowners are entitled to receive such dividends as may be declared by the Board, are entitled to one vote per share, and are entitled, in the event of liquidation, to share ratably in all the assets of Honeywell which are available for distribution to the common shareowners. Common shareowners do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There are no restrictions on us relative to dividends or the repurchase or redemption of common stock.

The Board of Directors has authorized the repurchase of up to a total of $3.0 billion of Honeywell common stock, which amount includes $1.3 billion that remained available under the Company's previously reported share repurchase program.

We are authorized to issue up to 40,000,000 shares of preferred stock, without par value, and can determine the number of shares of each series, and the rights, preferences and limitations of each series. At December 31, 2010, there was no preferred stock outstanding.

Note 19—Accumulated Other Comprehensive Income (Loss)

Total accumulated other comprehensive income (loss) is included in the Consolidated Statement of Shareowners' Equity. Comprehensive Income (Loss) attributable to non-controlling interest consisted predominantly of net income. The changes in Accumulated Other Comprehensive Income (Loss) are as follows:

(Dollars in millions, except per share amounts)

	Pretax	Tax	After Tax
Year Ended December 31, 2010			
Foreign exchange translation adjustment	$ (249)	$ —	$ (249)
Pensions and other post retirement benefit adjustments	26	18	44
Changes in fair value of available for sale investments	90	—	90
Changes in fair value of effective cash flow hedges	(6)	2	(4)
	$ (139)	$ 20	$ (119)
Year Ended December 31, 2009			
Foreign exchange translation adjustment	$ 259	$ —	$ 259
Pensions and other post retirement benefit adjustments	(407)	136	(271)
Changes in fair value of available for sale investments(1)	112	—	112
Changes in fair value of effective cash flow hedges	38	(8)	30
	$ 2	$ 128	$ 130
Year Ended December 31, 2008			
Foreign exchange translation adjustment	$ (614)	$ —	$ (614)
Pensions and other post retirement benefit adjustments	(1,147)	429	(718)
Changes in fair value of available for sale investments	(51)	—	(51)
Changes in fair value of effective cash flow hedges	(40)	16	(24)
	$ (1,852)	$ 445	$ (1,407)

(1) Includes reclassification adjustment for losses included in net income

Components of Accumulated Other Comprehensive Income (Loss)

	December 31, 2010	December 31, 2009
Cumulative foreign exchange translation adjustment	$ 220	$ 468
Pensions and other post retirement benefit adjustments	(1,441)	(1,485)
Change in fair value of available for sale investments	151	61
Change in fair value of effective cash flow hedges	3	8
	$ (1,067)	$ (948)

Note 20—Stock-Based Compensation Plans

We have stock-based compensation plans available to grant non-qualified stock options, incentive stock options, stock appreciation rights, restricted units and restricted stock to key employees. Under the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the Plan), a maximum of 43 million shares of Honeywell common stock may be awarded. Additionally, under the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the Directors Plan) 500,000 shares of Honeywell common stock may be awarded.

Stock Options—The exercise price, term and other conditions applicable to each option granted under our stock plans are generally determined by the Management Development and Compensation Committee of the Board. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share of our stock on that date. The fair value is recognized as an expense over the employee's requisite service period (generally the vesting period of the award). Options generally vest over a four-year period and expire after ten years.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from traded options on Honeywell common stock. We used a Monte Carlo simulation model to derive an expected term. Such model uses historical data to estimate option exercise activity and post-vest termination behavior. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant.

Compensation cost on a pre-tax basis related to stock options recognized in operating results (included in selling, general and administrative expenses) in 2010, 2009 and 2008 was $55, $39 and $51 million, respectively. The associated future income tax benefit recognized in 2010, 2009 and 2008 was $16, $13 and $19 million, respectively.

(Dollars in millions, except per share amounts)

The following table sets forth fair value per share information, including related weighted-average assumptions, used to determine compensation cost:

	Years Ended December 31,		
	2010	2009	2008
Weighted average fair value per share of options granted during the year(1)	$ 8.96	$ 6.73	$ 13.81
Assumptions:			
Expected annual dividend yield	3.00%	4.26%	1.88%
Expected volatility	29.39%	35.78%	26.35%
Risk-free rate of return	2.64%	2.53%	3.09%
Expected option term (years)	5.4	5.8	5.2

(1) Estimated on date of grant using Black-Scholes option-pricing model.

The following table summarizes information about stock option activity for the three years ended December 31, 2010:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2007	41,397,369	$ 41.88
Granted	5,024,820	58.46
Exercised	(3,577,707)	37.40
Lapsed or canceled	(1,910,960)	49.16
Outstanding at December 31, 2008	40,933,522	43.97
Granted	9,159,650	28.40
Exercised	(645,201)	31.66
Lapsed or canceled	(8,537,598)	53.90
Outstanding at December 31, 2009	40,910,373	38.58
Granted	7,607,950	40.29
Exercised	(5,211,526)	34.77
Lapsed or canceled	(2,515,266)	44.14
Outstanding at December 31, 2010	40,791,531	$ 39.05
Vested and expected to vest at December 31, 2010(1)	37,802,734	$ 39.19
Exercisable at December 31, 2010	24,722,493	$ 39.43

(1) Represents the sum of vested options of 24.7 million and expected to vest options of 13.1 million. Expected to vest options are derived by applying the pre-vesting forfeiture rate assumption to total outstanding unvested options 16.1 million.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2010:

(Dollars in millions, except per share amounts)

	Options Outstanding				Options Exercisable		
Range of Exercise prices	Number Outstanding	Weighted Average Life(1)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
$21.75–$32.99	9,715,402	6.87	$ 27.55	$ 249	3,865,364	$ 26.26	$ 104
$33.00–$39.99	9,924,474	2.92	35.92	171	9,924,474	35.92	171
$40.00–$49.99	16,890,135	7.13	42.66	177	8,539,435	44.20	77
$50.00–$74.95	4,261,520	7.13	58.25	—	2,393,220	58.16	—
	40,791,531	6.05	39.05	$ 597	24,722,493	39.43	$ 352

(1) Average remaining contractual life in years.

There were 27,427,023 and 30,314,667 options exercisable at weighted average exercise prices of $38.85 and $41.40 at December 31, 2009 and 2008, respectively. There were 21,512,252 shares available for future grants under the terms of our stock option plans at December 31, 2010.

The total intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during 2010, 2009 and 2008 was $54, $4 and $76 million, respectively. During 2010, 2009 and 2008, the amount of cash received from the exercise of stock options was $181, $20 and $134 million, respectively, with an associated tax benefit realized of $18, $1 and $28 million, respectively. In 2010, 2009 and 2008 we classified $13, $1 and $21 million, respectively, of this benefit as a financing cash inflow in the Consolidated Statement of Cash Flows, and the balance was classified as cash from operations.

At December 31, 2010, there was $94 million of total unrecognized compensation cost related to non-vested stock option awards which is expected to be recognized over a weighted-average period of 2.43 years. The total fair value of options vested during 2010, 2009 and 2008 was $41, $51 and $63 million, respectively.

Restricted Stock Units—Restricted stock unit (RSU) awards entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain key employees at fair market value at the date of grant as compensation. RSUs typically become fully vested over periods ranging from three to seven years and are payable in Honeywell common stock upon vesting.

The following table summarizes information about RSU activity for the three years ended December 31, 2010:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Non-vested at December 31, 2007	5,856,997	$ 42.18
Granted	2,087,934	54.56
Vested	(694,660)	35.82
Forfeited	(424,554)	41.94
Non-vested at December 31, 2008	6,825,717	46.63
Granted	3,691,129	30.16
Vested	(1,313,975)	40.44
Forfeited	(940,094)	44.51
Non-vested at December 31, 2009	8,262,777	40.49
Granted	3,842,367	42.33
Vested	(1,593,979)	48.71
Forfeited	(537,212)	40.45
Non-vested at December 31, 2010	9,973,953	$ 39.89

(Dollars in millions, except per share amounts)

As of December 31, 2010, there was approximately $202 million of total unrecognized compensation cost related to non-vested RSUs granted under our stock plans which is expected to be recognized over a weighted-average period of 1.8 years. Compensation expense related to RSUs was $109, $79 and $77 million in 2010, 2009, and 2008, respectively.

Non-Employee Directors' Plan—Under the Directors' Plan each new director receives a one-time grant of 3,000 restricted stock units that will vest on the fifth anniversary of continuous Board service.

The Directors' Plan also provides for an annual grant to each director of options to purchase 5,000 shares of common stock at the fair market value on the date of grant. Options generally become exercisable over a four-year period and expire after ten years.

Note 21—Commitments and Contingencies

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is our policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of remedial investigations and feasibility studies, the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

The following table summarizes information concerning our recorded liabilities for environmental costs:

	Years Ended December 31,		
	2010	2009	2008
Beginning of year	$ 779	$ 946	$ 799
Accruals for environmental matters deemed probable and reasonably estimable	225	151	466
Environmental liability payments	(266)	(318)	(320)
Other	15	—	1
End of year	$ 753	$ 779	$ 946

(Dollars in millions, except per share amounts)

Environmental liabilities are included in the following balance sheet accounts:

	December 31, 2010	December 31, 2009
Accrued liabilities	$ 328	$ 314
Other liabilities	425	465
	$ 753	$ 779

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that these environmental matters will have a material adverse effect on our consolidated financial position.

New Jersey Chrome Sites—The excavation and offsite disposal of approximately one million tons of chromium residue present at a predecessor Honeywell site located in Jersey City, New Jersey, known as Study Area 7 was completed in January 2010. We have also received approval of the United States District Court for the District of New Jersey for the implementation of related groundwater and sediment remedial actions, and are seeking the appropriate permits from state and federal agencies. Provisions have been made in our financial statements for the estimated cost of these remedies.

The above-referenced site is the most significant of the 21 sites located in Hudson County, New Jersey that are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993 (the "Honeywell ACO Sites"). Remedial investigations and activities consistent with the ACO have also been conducted and are underway at the other Honeywell ACO Sites. We have recorded reserves for the Honeywell ACO Sites where appropriate under the accounting policy described above.

On May 3, 2005, NJDEP filed a lawsuit in New Jersey Superior Court against Honeywell and two other companies seeking declaratory and injunctive relief, unspecified damages, and the reimbursement of unspecified total costs relating to sites in New Jersey allegedly contaminated with chrome ore processing residue. The claims against Honeywell relate to the activities of a predecessor company which ceased its New Jersey manufacturing operations in the mid-1950's. Honeywell and the two other companies have agreed to settle this litigation with NJDEP, subject to Court approval. Under the settlement, Honeywell would pay $5 million of NJDEP's past costs, as well as accept sole responsibility to remediate 24 of the 53 "Publicly Funded Sites" (i.e., those sites for which none of the three companies had previously accepted responsibility). Honeywell would also bear 50% of the costs at another 10 Publicly Funded Sites. We have recorded reserves for the Publicly Funded Sites where appropriate under the accounting policy described above.

We have entered into court-approved settlements of litigation filed in federal court against Honeywell and other landowners seeking the cleanup of chrome residue at groups of properties known as Study Areas 5, 6 South and 6 North of the Honeywell ACO Sites. The required remedial actions are consistent with our recorded reserves.

Dundalk Marine Terminal, Baltimore, MD—Chrome residue from legacy chrome plant operations in Baltimore was deposited as fill at the Dundalk Marine Terminal ("DMT"), which is owned and operated by the Maryland Port Administration ("MPA"). Honeywell and the MPA have been sharing costs to investigate and mitigate related environmental issues, and have entered into a cost sharing agreement under which Honeywell will bear 77 percent of the costs of developing and implementing permanent remedies for the DMT facility. In January 2011, the MPA and Honeywell submitted to the Maryland Department of the Environment ("MDE") a Corrective Measures Alternatives Analysis ("CMAA") of certain potential remedies for DMT to assist MDE in selection of a final remedy. Provision has been made in our financial statements for the CMAA consistent with the accounting policy described above. We have negotiated a Consent Decree with the MPA and MDE with respect to the investigation and remediation of the DMT facility. The Consent Decree is being challenged in federal court by BUILD, a Baltimore community group, together with a local church and two individuals (collectively "BUILD"). In October 2007, the Court dismissed with prejudice BUILD's state law claims and dismissed without prejudice BUILD's RCRA claims regarding neighborhoods near the DMT facility. In August 2008, the Court held a hearing on the Company's motion to dismiss BUILD's remaining claims on the grounds that MDE is diligently prosecuting the investigation and remediation of the DMT. We are awaiting the Court's decision. We do not believe that this matter will have a material adverse impact on our consolidated financial position or operating cash flows. Given the scope and complexity of this project, it is possible that the cost of remediation, when determinable, could have a material adverse impact on our results of operations in the periods recognized.

Onondaga Lake, Syracuse, NY—We are implementing a combined dredging/capping remedy of Onondaga Lake pursuant to a consent decree approved by the United States District Court for the Northern District of New York in January 2007. We have accrued for our estimated cost of remediating Onondaga Lake based on currently available information and analysis performed by our engineering consultants. Honeywell is also conducting remedial investigations and activities at other sites in Syracuse. We have recorded reserves for these investigations and activities where appropriate under the accounting policy described above.

Honeywell has entered into a cooperative agreement with potential natural resource trustees to assess alleged natural resource damages relating to this site. It is not possible to predict the outcome or duration of this assessment, or the amounts of, or responsibility for, any damages.

Asbestos Matters

Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Products containing asbestos previously manufactured by Honeywell or by previously owned subsidiaries primarily fall into two general categories: refractory products and friction products.

Refractory Products—Honeywell owned North American Refractories Company (NARCO) from 1979 to 1986. NARCO produced refractory products (high temperature bricks and cement) that were sold largely to the steel industry in the East and Midwest. Less than 2 percent of NARCO'S products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. On January 4, 2002, NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, the bankruptcy court enjoined both the filing and prosecution of NARCO-related asbestos claims against Honeywell. The stay has remained in effect continuously since January 4, 2002. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company $40 million and agreed to provide NARCO with up to $20 million in financing. We also agreed to pay $20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell (which amount was paid in December 2005 following the filing of NARCO's Third Amended Plan of Reorganization), and to pay NARCO's parent company $40 million, and to forgive any outstanding NARCO indebtedness to Honeywell, upon the effective date of the plan of reorganization.

We believe that, as part of the NARCO plan of reorganization, a trust will be established for the benefit of all asbestos claimants, current and future, pursuant to Trust Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the Court-appointed legal representative for future asbestos claimants. If the trust is put in place and approved by the Court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. Honeywell has reached agreement with the representative for future NARCO claimants and the Asbestos Claimants Committee to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows.

In November 2007, the Bankruptcy Court entered an amended order confirming the NARCO Plan without modification and approving the 524(g) trust and channeling injunction in favor of NARCO and Honeywell. In December 2007, certain insurers filed an appeal of the Bankruptcy Court Order in the United States District Court for the Western District of Pennsylvania. The District Court affirmed the Bankruptcy Court Order in July 2008. In August 2008, insurers filed a notice of appeal to the Third Circuit Court of Appeals. The appeal is fully briefed, oral argument took place on May 21, 2009, and the matter was submitted for decision. In connection with the settlement of an insurance coverage litigation matter, the insurer appellants withdrew their appeal regarding the NARCO Plan. On August 3, 2010 the Third Circuit Court of Appeals entered an order formally dismissing the NARCO appeal. The NARCO Plan of Reorganization cannot become effective, however, until the resolution of an appeal of the Chapter 11 proceedings of NARCO affiliates. The Third Circuit reheard this appeal en banc on October 13, 2010. It is not possible to predict when the Court will rule on this appeal. We expect that the stay enjoining litigation against NARCO and Honeywell will remain in effect until the effective date of the NARCO Plan of Reorganization.

Our consolidated financial statements reflect an estimated liability for settlement of pending and future NARCO-related asbestos claims of $1,125 million and $1,128 million as of December 31, 2010 and December 31, 2009, respectively. The estimated liability for pending claims is based on terms and conditions, including evidentiary requirements, in definitive agreements with approximately 260,000 current claimants, and an estimate of the unsettled claims pending as of the time NARCO filed for bankruptcy protection. Substantially all settlement payments with respect to current claims have been made. Approximately $100 million of payments due pursuant to these settlements is due only upon establishment of the NARCO trust.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against NARCO through 2018 and the aforementioned obligations to NARCO's parent. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018. The estimate is based upon the disease criteria and payment values contained in the NARCO Trust Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the NARCO future claimants' representative. Honeywell projected the probable number and value, including trust claim handling costs, of asbestos related future liabilities based upon experience of asbestos claims filing rates in the tort system and in certain operating asbestos trusts, and the claims experience in those forums. The valuation methodology also includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history, the pending inventory of NARCO asbestos related claims and payment rates expected to be established by the NARCO trust. This methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and resulted in a range of estimated liability for future claims of $743 to $961 million. We believe that no amount within this range is a better estimate than any other amount and accordingly, we have recorded the minimum amount in the range.

As of December 31, 2010 and December 31, 2009, our consolidated financial statements reflect an insurance receivable corresponding to the liability for settlement of pending and future NARCO-related asbestos claims of $718 and $831 million, respectively. This coverage reimburses Honeywell for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At December 31, 2010, a significant portion of this coverage is with insurance companies with whom we have agreements to pay full policy limits based on corresponding Honeywell claims costs. We conduct analyses to determine the amount of insurance that we estimate is probable of recovery in relation to payment of current and estimated future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs.

In the second quarter of 2006, Travelers Casualty and Insurance Company ("Travelers") filed a lawsuit against Honeywell and other insurance carriers in the Supreme Court of New York, County of New York, disputing obligations for NARCO-related asbestos claims under high excess insurance coverage issued by Travelers and other insurance carriers. In July 2010, the Company entered into a settlement agreement resolving all asbestos coverage issues with certain plaintiffs. Approximately $180 million of unsettled coverage under these policies is included in our NARCO-related insurance receivable at December 31, 2010. Honeywell believes it is entitled to the coverage at issue and expects to prevail in this matter. In the third quarter of 2007, Honeywell prevailed on a critical choice of law issue concerning the appropriate method of allocating NARCO-related asbestos liabilities to triggered policies. The plaintiffs appealed and the trial court's ruling was upheld by the intermediate appellate court in the second quarter of 2009. Plaintiffs' further appeal to the New York Court of Appeals, the highest court in New York, was denied in October 2009. A related New Jersey action brought by Honeywell has been dismissed, but all coverage claims against plaintiffs have been preserved in the New York action. Based upon (i) our understanding of relevant facts and applicable law, (ii) the terms of insurance policies at issue, (iii) our experience on matters of this nature, and (iv) the advice of counsel, we believe that the amount due from Travelers and other insurance carriers is probable of recovery. While Honeywell expects to prevail in this matter, an adverse outcome could have a material impact on our results of operations in the period recognized but would not be material to our consolidated financial position or operating cash flows.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities or assets to be higher or lower than those projected and recorded. There is no assurance that the plan of reorganization will become final, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we review our estimates periodically, and update them based on our experience and other relevant factors. Similarly, we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

(Dollars in millions, except per share amounts)

Friction Products—Honeywell's Bendix friction materials (Bendix) business manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. Existing and potential claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements.

From 1981 through December 31, 2010, we have resolved approximately 155,000 Bendix related asbestos claims. We had 131 trials resulting in favorable verdicts and 18 trials resulting in adverse verdicts. Four of these adverse verdicts were reversed on appeal, five verdicts were vacated on post-trial motions, three claims were settled and the remaining have been or will be appealed. The claims portfolio was reduced in 2009 due to settlements, dismissals and the elimination of significantly aged (i.e., pending for more than six years), inactive (including claims for which the required medical and exposure showings have not been made) and duplicate claims.

The following tables present information regarding Bendix related asbestos claims activity:

Claims Activity	Years Ended December 31, 2010	2009
Claims Unresolved at the beginning of year	19,940	51,951
Claims Filed[a]	4,302	2,697
Claims Resolved[b]	(1,762)	(34,708)
Claims Unresolved at the end of year	22,480	19,940

(a) The number of claims filed in 2010 includes approximately 1,541 non-malignant claims (with an accrued liability of approximately $575 thousand in the aggregate), a majority of which had previously been dismissed in Mississippi and re-filed in Arkansas.

(b) The number of claims resolved in 2010 includes approximately 1,300 claims previously classified as inactive (95% non-malignant and accrued liability of approximately $2.0 million) which were activated during the current period.

Disease Distribution of Unresolved Claims	December 31, 2010	2009
Mesothelioma and Other Cancer Claims	4,856	4,727
Other Claims	17,624	15,213
Total Claims	22,480	19,940

Honeywell has experienced average resolution values per claim excluding legal costs as follows:

	Year Ended December 31, 2010	2009	2008	2007	2006
			(in whole dollars)		
Malignant claims	$ 54,000	$ 50,000	$ 65,000	$ 33,000	$ 33,000
Nonmalignant claims	$ 1,300	$ 200	$ 1,500	$ 500	$ 250

It is not possible to predict whether resolution values for Bendix related asbestos claims will increase, decrease or stabilize in the future.

Our consolidated financial statements reflect an estimated liability for resolution of pending and future

Bendix related asbestos claims of $594 and $566 million at December 31, 2010 and December 31, 2009, respectively. Our liability for the estimated cost of future Bendix related asbestos claims is based on historic claims filing experience, disease classifications, expected resolution values, and historic dismissal rates. In the fourth quarter of each year, we update our analysis of the estimated cost of future Bendix related asbestos claims. We have valued Bendix pending and future claims using average resolution values for the previous five years. Changes in the tort system, which began in 2006, refocused asbestos litigation on mesothelioma cases, making the five year period 2006 through 2010 representative for forecasting purposes. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against Bendix over the next five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years. The estimate is based upon Bendix historical experience in the tort system for the five years ended December 31, 2010 with respect to claims filing and resolution values. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts. It is similar to that used to estimate the future NARCO related asbestos claims liability.

Honeywell currently has approximately $1,900 million of insurance coverage remaining with respect to pending and potential future Bendix related asbestos claims, of which $157 and $172 million are reflected as receivables in our consolidated balance sheet at December 31, 2010 and December 31, 2009, respectively. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Insurance receivables are recorded in the financial statements simultaneous with the recording of the liability for the estimated value of the underlying asbestos claims. The amount of the insurance receivable recorded is based on our ongoing analysis of the insurance that we estimate is probable of recovery. This determination is based on our analysis of the underlying insurance policies, our historical experience with our insurers, our ongoing review of the solvency of our insurers, our interpretation of judicial determinations relevant to our insurance programs, and our consideration of the impacts of any settlements reached with our insurers. Insurance receivables are also recorded when structured insurance settlements provide for future fixed payment streams that are not contingent upon future claims or other events. Such amounts are recorded at the net present value of the fixed payment stream.

On a cumulative historical basis, Honeywell has recorded insurance receivables equal to approximately 41 percent of the value of the underlying asbestos claims recorded. However, because there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods, and insurance settlements, this rate is expected to decline for any future Bendix related asbestos liabilities that may be recorded. Future recoverability rates may also be impacted by numerous other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict. Assuming continued defense and indemnity spending at current levels, we estimate that the cumulative recoverability rate could decline over the next five years to approximately 35 percent.

Honeywell believes it has sufficient insurance coverage and reserves to cover all pending Bendix related asbestos claims and Bendix related asbestos claims estimated to be filed within the next five years. Although it is impossible to predict the outcome of either pending or future Bendix related asbestos claims, we do not believe that such claims would have a material adverse effect on our consolidated financial position in light of our insurance coverage and our prior experience in resolving such claims. If the rate and types of claims filed, the average resolution value of such claims and the period of time over which claim settlements are paid (collectively, the "Variable Claims Factors") do not substantially change, Honeywell would not expect future Bendix related asbestos claims to have a material adverse effect on our results of operations or operating cash flows in any fiscal year. No assurances can be given, however, that the Variable Claims Factors will not change.

Refractory and Friction Products — The following tables summarize information concerning NARCO and Bendix asbestos related balances:

(Dollars in millions, except per share amounts)

Asbestos Related Liabilities

	Year Ended December 31, 2010			Year Ended December 31, 2009			Year Ended December 31, 2008		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	$ 566	$ 1,128	$ 1,694	$ 578	$ 1,131	$ 1,709	$ 517	$ 1,138	$ 1,655
Accrual for update to estimated liability	162	3	165	127	5	132	153	—	153
Change in estimated cost of future claims	16	—	16	11	—	11	43	—	43
Asbestos related liability payments	(157)	(6)	(163)	(148)	(8)	(156)	(140)	(7)	(147)
Update of expected resolution values for pending claims	7	—	7	(2)	—	(2)	5	—	5
End of year	$ 594	$ 1,125	$ 1,719	$ 566	$ 1,128	$ 1,694	$ 578	$ 1,131	$ 1,709

Insurance Recoveries for Asbestos Related Liabilities

	Year Ended December 31, 2010			Year Ended December 31, 2009			Year Ended December 31, 2008		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	$ 172	$ 831	$ 1,003	$ 156	$ 877	$ 1,033	$ 197	$ 939	$ 1,136
Probable insurance recoveries related to estimated liability	26	—	26	24	—	24	40	—	40
Insurance receipts for asbestos related liabilities	(41)	(100)	(141)	(8)	(8)	(16)	(116)	(62)	(178)
Insurance receivables settlements and write offs	—	(13)	(13)	—	(38)	(38)	36	—	36
Other	—	—	—	—	—	—	(1)	—	(1)
End of year	$ 157	$ 718	$ 875	$ 172	$ 831	$ 1,003	$ 156	$ 877	$ 1,033

NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	December 31, 2010	December 31, 2009
Other current assets	$ 50	$ 62
Insurance recoveries for asbestos related liabilities	825	941
	$ 875	$ 1,003
Accrued liabilities	$ 162	$ 654
Asbestos related liabilities	1,557	1,040
	$ 1,719	$ 1,694

The change in accrued liabilities and asbestos related liabilities at December 31, 2010 from December 31, 2009 is driven primarily by our best estimate of the timing of expected payments related to the effective date of the NARCO trust.

Other Matters

We are subject to a number of other lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these other matters are the following:

Allen, et al. v. Honeywell Retirement Earnings Plan—Pursuant to a settlement approved by the U.S. District Court for the District of Arizona in February 2008, 18 of 21 claims alleged by plaintiffs in this class action lawsuit were dismissed with prejudice in exchange for approximately $35 million and the maximum aggregate liability for the remaining three claims (alleging that Honeywell impermissibly reduced the pension benefits of certain employees of a predecessor entity when the plan was amended in 1983 and failed to calculate benefits in accordance with the terms of the plan) was capped at $500 million. Any amounts payable, including the settlement amount, have or will be paid from the Company's pension plan. In October 2009, the Court granted summary judgment in favor of the Honeywell Retirement Earnings Plan with respect to the claim regarding the calculation of benefits. We continue to expect to prevail on the remaining claims in light of applicable law and our substantial affirmative defenses, which have not yet been considered fully by the Court. Accordingly, we do not believe that a liability is probable of occurrence and reasonably estimable with respect to these claims and we have not recorded a provision for the remaining claims in our financial statements.

Quick Lube—On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that twelve filter manufacturers, including Honeywell, engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket automotive filters. This suit is a purported class action on behalf of direct purchasers of filters from the defendants. Parallel purported class actions, including on behalf of indirect purchasers of filters, have been filed by other plaintiffs in a variety of jurisdictions in the United States and Canada. The U.S cases have been consolidated into a single multi-district litigation in the Northern District of Illinois. We intend to vigorously defend the claims raised in these actions. The Antitrust Division of the Department of Justice notified Honeywell on January 21, 2010 that it has officially closed its investigation into possible collusion in the replacement auto filters industry.

BorgWarner v. Honeywell—In this patent infringement suit in the District Court for the Western District of North Carolina, plaintiff BorgWarner is claiming that Honeywell's manufacture and sale of cast titanium compressor wheels for turbochargers infringes three BorgWarner patents and is seeking damages of up to approximately $120 million, which plaintiff asserts should be trebled for willful infringement. Because the process claimed in BorgWarner's patents had already been described in detail in printed publications and had been offered for sale before BorgWarner's alleged invention, in violation of statutory requirements for patentability, Honeywell asked the Court to enter summary judgment of invalidity of BorgWarner's patents. The Court declined to enter summary judgment in September 2010, finding that the question should be decided by a jury. Trial is scheduled for May 2011. Honeywell will continue its vigorous defense of this claim and expects to prevail at trial. In the event the Company is found liable, we do not believe that the evidence supports damages of the magnitude claimed or any finding of willfulness. Honeywell has also asked the United States Patent and Trademark Office to reexamine all three of BorgWarner's patents in light of the prior art publications. If the Patent Office ultimately invalidates the BorgWarner patents at issue prior to final adjudication of the patent infringement litigation, plaintiff would not be entitled to recover damages.

Given the uncertainty inherent in litigation and investigations (including the specific matters referenced above), we do not believe it is possible to develop estimates of reasonably possible loss in excess of current accruals for these matters. Considering our past experience and existing accruals, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our consolidated financial position. Because most contingencies are resolved over long periods of time, potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements, which could cause us to pay damage awards or settlements (or become subject to equitable remedies) that could have a material adverse effect on our results of operations or operating cash flows in the periods recognized or paid.

Warranties and Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2010:

(Dollars in millions, except per share amounts)

	Maximum Potential Future Payments
Operating lease residual values	$ 43
Other third parties' financing	5
Unconsolidated affiliates' financing	11
Customer financing	17
	$ 76

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

In the normal course of business we issue product warranties and product performance guarantees. We accrue for the estimated cost of product warranties and performance guarantees based on contract terms and historical experience at the time of sale. Adjustments to initial obligations for warranties and guarantees are made as changes in the obligations become reasonably estimable. The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees:

	Years Ended December 31,		
	2010	2009	2008
Beginning of year	$ 407	$ 417	$ 396
Accruals for warranties/guarantees issued during the year	214	188	242
Adjustment of pre-existing warranties/guarantees	(13)	(7)	(34)
Settlement of warranty/guarantee claims	(193)	(191)	(187)
End of year	$ 415	$ 407	$ 417

Product warranties and product performance guarantees are included in the following balance sheet accounts:

	2010	2009
Accrued liabilities	$ 380	$ 382
Other liabilities	35	25
	$ 415	$ 407

Note 22. Pension and Other Postretirement Benefits

We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. Pension benefits for substantially all U.S. employees are provided through non-contributory, qualified and non-qualified defined benefit pension plans. U.S. defined benefit pension plans comprise 77 percent of our projected benefit obligation. Non-U.S. employees, who are not U.S. citizens, are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes. Non-U.S. defined benefit pension plans comprise 23 percent of our projected benefit obligation.

We also sponsor postretirement benefit plans that provide health care benefits and life insurance coverage to eligible retirees. Our retiree medical plans mainly cover U.S. employees who retire with pension eligibility for hospital, professional and other medical services. All non-union hourly and salaried employees joining Honeywell after January 1, 2000 are not eligible to participate in our retiree medical and life insurance plans. Most of the U.S. retiree medical plans require deductibles and copayments, and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. Honeywell has limited its subsidy of its retiree medical plans to a fixed-dollar amount for all future retirees and for more than half of its current retirees. This cap of retiree medical benefits under our plans limits our exposure to the impact of future health care cost increases. The retiree medical and life insurance plans are not funded. Claims and expenses are paid from our operating cash flow.

During the third quarter of 2010, Honeywell amended its U.S. retiree medical plan to no longer offer certain post-age-65 retirees Honeywell group coverage and facilitate their purchase of an individual plan in the Medicare marketplace. This plan amendment reduced the accumulated postretirement benefit obligation by $137 million which will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy.

On February 1, 2010, in connection with a new collective bargaining agreement reached with one of its union groups, Honeywell amended its U.S. retiree medical plan eliminating the subsidy for those union employees who retire after February 1, 2013. This plan amendment reduced the accumulated postretirement benefit obligation by $39 million which will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy. This plan amendment also resulted in a curtailment gain of $37 million in the year ended December 31, 2010 which was included as part of net periodic postretirement benefit cost. The curtailment gain represents the recognition of previously unrecognized prior service credits attributable to the future years of service of the union group for which future accrual of benefits has been eliminated.

In May 2009, Honeywell amended the U.S. retiree medical plan eliminating the subsidy for active non-union employees who retire after September 1, 2009. Employees already retired or who retired on or before September 1, 2009 were not affected by this change. This plan amendment reduced the accumulated postretirement benefit obligation by $180 million representing the elimination of benefits attributable to years of service already rendered by active non-union employees who are not eligible to retire and those eligible non-union employees who were assumed not to retire prior to September 1, 2009. This reduction in the accumulated postretirement benefit obligation will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy. This plan amendment also resulted in a curtailment gain of $98 million in the second quarter of 2009 which was included as part of net periodic postretirement benefit cost. The curtailment gain represented the recognition of previously unrecognized prior service credits attributable to the future years of service of the employee group for which future accrual of benefits was eliminated.

(Dollars in millions, except per share amounts)

The following tables summarize the balance sheet impact, including the benefit obligations, assets and funded status associated with our significant pension and other postretirement benefit plans at December 31, 2010 and 2009.

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 13,620	$ 11,678	$ 4,266	$ 3,368
Service cost	221	183	51	41
Interest cost	768	785	228	208
Plan amendments	117	—	—	2
Actuarial (gains) losses	1,211	1,879	150	616
Benefits paid	(947)	(931)	(181)	(180)
Settlements and curtailments	—	—	—	(5)
Other	—	26	(141)	216
Benefit obligation at end of year	14,990	13,620	4,373	4,266
Change in plan assets:				
Fair value of plan assets at beginning of year	10,306	8,497	3,488	2,814
Actual return on plan assets	1,788	1,960	414	389
Company contributions	1,034	780	313	279
Benefits paid	(947)	(931)	(181)	(180)
Other	—	—	(95)	186
Fair value of plan assets at end of year	12,181	10,306	3,939	3,488
Funded status of plans	$ (2,809)	$ (3,314)	$ (434)	$ (778)
Amounts recognized in Consolidated Balance Sheet consist of:				
Prepaid pension benefit cost(1)	$ —	$ —	$ 135	$ 58
Accrued pension liability(2)	(2,809)	(3,314)	(569)	(836)
Net amount recognized	$ (2,809)	$ (3,314)	$ (434)	$ (778)

(1) Included in Other Assets on Consolidated Balance Sheet

(2) Included in Other Liabilities - Non-Current on Consolidated Balance Sheet

(Dollars in millions, except per share amounts)

	Other Postretirement Benefits	
	2010	2009
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,748	$ 1,960
Service cost	2	6
Interest cost	81	104
Plan amendments	(176)	(180)
Actuarial (gains) losses	160	47
Benefits paid	(187)	(189)
Benefit obligation at end of year	1,628	1,748
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Actual return on plan assets	—	—
Company contributions	—	—
Benefits paid	—	—
Fair value of plan assets at end of year	—	—
Funded status of plans	$ (1,628)	$ (1,748)
Amounts recognized in Consolidated Balance Sheet consist of:		
Accrued liabilities	(197)	(197)
Postretirement benefit obligations other than pensions(1)	(1,431)	(1,551)
Net amount recognized	$ (1,628)	$ (1,748)

(1) Excludes Non-U.S. plans of $46 and $43 million in 2010 and 2009, respectively.

Amounts recognized in Accumulated Other Comprehensive (Income) Loss associated with our significant pension and other postretirement benefit plans at December 31, 2010 and 2009 are as follows.

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Transition (asset) obligation	$ —	$ —	$ 9	$ 11
Prior service cost (credit)	177	92	(19)	(19)
Net actuarial (gain) loss	1,499	1,356	321	646
Net amount recognized	$ 1,676	$ 1,448	$ 311	$ 638

	Other Postretirement Benefits	
	2010	2009
Prior service cost (credit)	$ (264)	$ (179)
Net actuarial (gain) loss	425	299
Net amount recognized	$ 161	$ 120

The components of net periodic benefit cost and other amounts recognized in other comprehensive (income) loss for our significant plans for the years ended December 31, 2010, 2009, and 2008 include the following components:

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NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

	Pension Benefits					
	U.S. Plans			Non-U.S. Plans		
Net periodic benefit cost	2010	2009	2008	2010	2009	2008
Service cost	$ 221	$ 183	$ 198	$ 51	$ 41	$ 57
Interest cost	768	785	765	228	208	244
Expected return on plan assets	(902)	(767)	(1,140)	(248)	(221)	(301)
Amortization of transition (asset) obligation	—	—	—	1	1	1
Amortization of prior service cost (credit)	32	26	30	(1)	(1)	(1)
Recognition of actuarial losses	182	447	3,192	289	308	112
Settlements and curtailments	—	—	—	4	—	18
Net periodic benefit cost	$ 301	$ 674	$ 3,045	$ 324	$ 336	$ 130

Other Changes in Plan Assets and Benefits Obligations Recognized in Other Comprehensive (Income) Loss	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Actuarial (gains)/losses	$ 325	$ 686	$ 4,432	$ (20)	$ 449	$ 311
Prior service cost (credit)	117	—	27	—	2	—
Transition (asset) obligation recognized during year	—	—	—	(1)	(1)	(1)
Prior service (cost) credit recognized during year	(32)	(26)	(30)	1	1	—
Actuarial losses recognized during year	(182)	(447)	(3,192)	(289)	(308)	(129)
Foreign exchange translation adjustments	—	—	—	(17)	42	(54)
Total recognized in other comprehensive (income) loss	$ 228	$ 213	$ 1,237	$ (326)	$ 185	$ 127
Total Recognized in net periodic benefit costs and other comprehensive (income) loss	$ 529	$ 887	$ 4,282	$ (2)	$ 521	$ 257

The estimated prior service cost for pension benefits that will be amortized from accumulated other comprehensive (income) loss into net periodic benefit cost in 2011 are expected to be $33 million and $(2) million for U.S. and Non-U.S. benefit plans, respectively.

(Dollars in millions, except per share amounts)

	Other Postretirement Benefits Years Ended December 31,		
Net Periodic Benefit Cost	**2010**	**2009**	**2008**
Service cost	$ 2	$ 6	$ 13
Interest cost	81	104	122
Amortization of prior service cost (credit)	(44)	(44)	(43)
Recognition of actuarial losses	34	13	33
Settlements and curtailments	(47)	(98)	—
Net periodic benefit cost	$ 26	$ (19)	$ 125

	Years Ended December 31,		
Other Changes in Plan Assets & Benefits Obligations Recognized in Other Comprehensive (Income) Loss	**2010**	**2009**	**2008**
Actuarial (gains)/losses	$ 160	$ 47	$ (131)
Prior service cost (credit)	(176)	(180)	(67)
Prior service (cost) credit recognized during year	91	141	43
Actuarial losses recognized during year	(34)	(13)	(33)
Total recognized in other comprehensive (income) loss	$ 41	$ (5)	$ (188)
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$ 67	$ (24)	$ (63)

The estimated net loss and prior service (credit) for other postretirement benefits that will be amortized from accumulated other comprehensive (income) loss into net periodic benefit cost in 2011 are expected to be $44 and $(51) million, respectively.

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit cost for our benefit plans are presented in the following table.

	U.S. Plans			Non-U.S. Plans		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	5.25%	5.75%	6.95%	5.40%	5.71%	6.21%
Expected annual rate of compensation increase	4.50%	4.50%	4.50%	3.79%	3.87%	3.33%
Actuarial assumptions used to determine net periodic benefit cost for years ended December 31:						
Discount rate	5.75%	6.95%	6.50%	5.71%	6.21%	5.68%
Expected rate of return on plan assets	9.00%	9.00%	9.00%	7.51%	7.52%	7.65%
Expected annual rate of compensation increase	4.50%	4.50%	4.50%	3.87%	3.33%	3.84%

(Dollars in millions, except per share amounts)

	Other Postretirement Benefits		
	2010	2009	2008
Actuarial Assumptions used to determine benefit obligations as of December 31:			
Discount rate	4.70%	5.25%	6.00%
Actuarial Assumptions used to determine net periodic benefit cost for years ended December 31:			
Discount rate	5.25%	6.00%	5.90%

The discount rate for our U.S. pension and other postretirement benefits plans reflects the current rate at which the associated liabilities could be settled at the measurement date of December 31. To determine discount rates for our U.S. pension and other postretirement benefit plans, we use a modeling process that involves matching the expected cash outflows of our benefit plans to a yield curve constructed from a portfolio of double A rated fixed-income debt instruments. We use the average yield of this hypothetical portfolio as a discount rate benchmark. The discount rate used to determine the other postretirement benefit obligation is lower principally due to a shorter expected duration of other postretirement plan obligations as compared to pension plan obligations.

Our expected rate of return on U.S. plan assets is a long-term rate based on historic plan asset returns over varying long-term periods combined with current market conditions and broad asset mix considerations. We will use an expected rate of return on U.S. plan assets of 8% for 2011 down from 9% for 2010 due to lower future expected market returns. We review the expected rate of return on an annual basis and revise it as appropriate.

For non-U.S. benefit plans, none of which was individually material, assumptions reflect economic assumptions applicable to each country.

Pension Benefits

Included in the aggregate data in the tables above are the amounts applicable to our pension plans with accumulated benefit obligations exceeding the fair value of plan assets. Amounts related to such plans were as follows:

	December 31,			
	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Projected benefit obligation	$ 14,990	$ 13,620	$ 1,990	$ 3,539
Accumulated benefit obligation	$ 14,260	$ 12,758	$ 1,883	$ 3,344
Fair value of plan assets	$ 12,181	$ 10,306	$ 1,474	$ 2,721

The accumulated benefit obligation for our U.S. defined benefit pension plans was $14.3 and $12.8 billion and our Non-U.S. defined benefit plans were $4.1 and $4.0 billion at December 31, 2010 and 2009, respectively.

Our asset investment strategy for our U.S. pension plans focuses on maintaining a diversified portfolio using various asset classes in order to achieve our long-term investment objectives on a risk adjusted basis. Our actual invested positions in various securities change over time based on short and longer-term investment opportunities. To achieve our objectives, we have established long-term target allocations as follows: 60-70 percent equity securities, 10-20 percent fixed income securities and cash, 5-15 percent real estate investments, and 10-20 percent other types of investments. Equity securities include publicly-traded stock of companies located both inside and outside the United States. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Real estate investments include direct investments in commercial properties and investments in real estate funds. Other types of investments include investments in private equity and hedge funds that follow several different strategies. We review our assets on a regular basis to ensure that we are within the targeted asset allocation ranges and, if necessary, asset balances are adjusted back within target allocations.

Our non-U.S. pension assets are typically managed by decentralized fiduciary committees with the Honeywell Corporate Investments group providing standard funding and investment guidance. Local regulations, local funding rules, and local financial and tax considerations are part of the funding and investment allocation process in each country. While our non-U.S. investment policies are different for each country, the long-term investment objectives are generally the same as those for the U.S. pension assets.

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(Dollars in millions, except per share amounts)

The fair values of both our U.S. and non-U.S. pension plans assets at December 31, 2010 and 2009 by asset category are as follows:

	U.S. Plans			
	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
Honeywell common stock	$ 986	$ 986	$ —	$ —
U.S. large cap stocks	2,349	2,349	—	—
U.S. mid cap stocks	1,049	1,049	—	—
U.S. small cap stocks	301	301	—	—
International stocks	2,197	2,176	21	—
Real estate investment trusts	38	38	—	—
Fixed income investments:				
Short term investments	1,242	1,242	—	—
Government securities	240	—	240	—
Corporate bonds	1,342	—	1,342	—
Mortgage/Asset-Backed securities	422	—	422	—
Insurance contracts	10	—	10	—
Investments in private funds:				
Private funds	1,053	—	—	1,053
Hedge funds	77	—	—	77
Real estate funds	214	—	—	214
Direct investments:				
Direct private investments	167	—	—	167
Real estate properties	494	—	—	494
	$ 12,181	$ 8,141	$ 2,035	$ 2,005

	U.S. Plans			
	December 31, 2009			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
Honeywell common stock	$ 1,065	$ 1,065	$ —	$ —
U.S. large cap stocks	2,125	2,125	—	—
U.S. mid cap stocks	956	956	—	—
U.S. small cap stocks	277	277	—	—
International stocks	2,008	1,991	17	—
Real estate investment trusts	48	48	—	—
Fixed income investments:				
Short term investments	362	362	—	—
Government securities	232	—	232	—
Corporate bonds	1,155	—	1,155	—
Mortgage/Asset-Backed securities	347	—	347	—
Insurance contracts	9	—	9	—
Investments in private funds:				
Private funds	911	—	—	911
Hedge funds	78	—	—	78
Real estate funds	132	—	—	132
Direct investments:				
Direct private investments	149	—	—	149
Real estate properties	452	—	—	452
	$ 10,306	$ 6,824	$ 1,760	$ 1,722

(Dollars in millions, except per share amounts)

	Non-U.S. Plans			
	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
U.S. companies	$ 338	$ 327	$ 11	$ —
Non-U.S. companies	1,556	336	1,220	—
Fixed income investments:				
Short-term investments	176	176	—	—
Government securities	915	—	915	—
Corporate bonds	431	—	431	—
Mortgage/Asset-backed securities	14	—	14	—
Insurance contracts	196	—	196	—
Investments in private funds:				
Private funds	89	—	—	89
Hedge funds	55	—	—	55
Real estate funds	169	—	—	169
	$ 3,939	$ 839	$ 2,787	$ 313

	Non-U.S. Plans			
	December 31, 2009			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
U.S. companies	$ 326	$ 244	$ 82	$ —
Non-U.S. companies	1,316	278	1,038	—
Fixed income investments:				
Short-term investments	231	231	—	—
Government securities	724	—	724	—
Corporate bonds	406	—	406	—
Mortgage/Asset-backed securities	10	—	10	—
Insurance contracts	206	—	206	—
Investments in private funds:				
Private funds	81	—	—	81
Hedge funds	51	—	—	51
Real estate funds	137	—	—	137
	$ 3,488	$ 753	$ 2,466	$ 269

The following tables summarize changes in the fair value of Level 3 assets for the years ended December 31, 2010 and 2009:

(Dollars in millions, except per share amounts)

	U.S. Plans				
	Private Equity/Debt Funds	Direct Private Investments	Hedge Funds	Real Estate Funds	Real Estate Properties
Balance at December 31, 2008	$ 659	$ 142	$ 123	$ 197	$ 646
Actual Return on plan assets:					
Relating to assets still held at year-end	121	3	17	(102)	(228)
Relating to assets sold during the year	7	—	11	—	—
Purchases, sales and settlements	124	4	(73)	37	34
Balance at December 31, 2009	911	149	78	132	452
Actual Return on plan assets:					
Relating to assets still held at year-end	42	(9)	11	36	45
Relating to assets sold during the year	29	—	1	1	10
Purchases, sales and settlements	71	27	(13)	45	(13)
Balance at December 31, 2010	$ 1,053	$ 167	$ 77	$ 214	$ 494

	Non-U.S. Plans		
	Private Equity/Debt Funds	Hedge Funds	Real Estate Funds
Balance at December 31, 2008	$ 38	$ 46	$ 114
Actual Return on plan assets:			
Relating to assets still held at year-end	(5)	15	24
Relating to assets sold during the year	(1)	(10)	(4)
Purchases, sales and settlements	49	—	3
Balance at December 31, 2009	81	51	137
Actual Return on plan assets:			
Relating to assets still held at year-end	2	4	2
Relating to assets sold during the year	3	—	5
Purchases, sales and settlements	3	—	25
Balance at December 31, 2010	$ 89	$ 55	$ 169

Our U.S. pension assets at December 31, 2010 and 2009 include $834 and $481 million respectively, in notional derivative exposure primarily related to outstanding equity futures contracts. The Company enters into futures contracts to gain exposure to certain markets.

Common stocks, preferred stocks, real estate investment trusts, and short-term investments are valued at the closing price reported in the active market in which the individual securities are traded. Corporate bonds, mortgages, asset-backed securities, and government securities are valued either by using pricing models, bids provided by brokers or dealers, quoted prices of securities with similar characteristics or discounted cash flows and as such include adjustments for certain risks that may not be observable such as credit and liquidity risks. Certain securities are held in commingled funds which are valued using net asset values provided by the administrators of the funds. Investments in private equity, debt and hedge funds and direct private investments are valued at estimated fair value based on quarterly financial information received from the investment advisor and/or general partner. Investments in real estate are valued based on annual independent appraised values.

(Dollars in millions, except per share amounts

Our general funding policy for qualified pension plans is to contribute amounts at least sufficient to satisfy regulatory funding standards. In 2010, 2009 and 2008, we were not required to make contributions to our U.S. pension plans, however, we made voluntary contributions of $1,000, $740 and $242 million, respectively, primarily to improve the funded status of our plans. During 2011, we are still not required to make any contributions to our U.S. pension plans, however, in January 2011 we made a voluntary cash contribution of $1 billion to improve the funded status of our plans. In 2010, we contributed marketable securities valued at $242 million to one of our non-U.S. plans. In 2011, we also expect to contribute approximately $55 million to our non-U.S. defined benefit pension plans to satisfy regulatory funding standards and to fund benefits to be paid directly from Company assets.

Benefit payments, including amounts to be paid from Company assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

	U.S. Plans	Non-U.S. Plans
2011	$ 996	$ 172
2012	1,015	176
2013	1,019	182
2014	1,036	186
2015	1,081	191
2016-2020	5,172	1,039

Other Postretirement Benefits

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) provides subsidies for employers that sponsor postretirement health care plans that provide prescription drug coverage that is at least actuarially equivalent to that offered by Medicare Part D. The March 2010 enactment of the Patient Protection and Affordable Care Act, including modifications made in the Health Care and Education Reconciliation Act of 2010 resulted in a one-time, non-cash charge of $13 million related to income taxes in the first quarter of 2010. The charge results from a change in the tax treatment of the Medicare Part D program. The impact of the Act reduced other postretirement benefits expense by approximately $11 and $21 million in 2009 and 2008, respectively. The impact of the Act on other postretirement benefits expense was insignificant in 2010.

	December 31, 2010	December 31, 2009
Assumed health care cost trend rate:		
Health care cost trend rate assumed for next year	8.0%	8.0%
Rate that the cost trend rate gradually declines to	5.0%	5.0%
Year that the rate reaches the rate it is assumed to remain at	2017	2016

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	1 percentage point Increase	1 percentage point Decrease
Effect on total of service and interest cost components	$ 6	$ (4)
Effect on postretirement benefit obligation	$ 119	$ (78)

Benefit payments reflecting expected future service, as appropriate, are expected to be paid as follows:

(Dollars in millions, except per share amounts

	Without Impact of Medicare Subsidy	Net of Medicare Subsidy
2011	$ 201	$ 188
2012	187	173
2013	175	161
2014	163	150
2015	153	140
2016-2020	624	564

Employee Savings Plans

We sponsor employee savings plans under which we match, in the form of our common stock, savings plan contributions for certain eligible employees. Shares issued under the stock match plans were 2.4, 4.8 and 4.9 million at a cost of $105, $158 and $220 million in 2010, 2009, and 2008, respectively.

Note 23. Segment Financial Data

We globally manage our business operations through four reportable operating segments serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, automotive products and chemicals. Segment information is consistent with how management reviews the businesses, makes investing and resource allocation decisions and assesses operating performance. Our four reportable segments are as follows:

- Aerospace is organized by customer end-market (Air Transport and Regional, Business and General Aviation and Defense and Space) and provides products and services which include auxiliary power units; propulsion engines; environmental control systems; electric power systems, engine controls; repair and overhaul services; flight safety, communications, navigation, radar and surveillance systems; aircraft lighting; management and technical services; logistic services; advanced systems and instruments; and aircraft wheels and brakes.
- Automation and Control Solutions includes Products (controls for heating, cooling, indoor air quality, ventilation, humidification, lighting and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance; remote patient monitoring systems; and automatic identification and data collection); Building Solutions (installs, maintains and upgrades systems that keep buildings safe, comfortable and productive); and Process Solutions (provides a full range of automation and control solutions for industrial plants, offering advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings as well as equipment that controls, measures and analyzes natural gas production and transportation).
- Specialty Materials includes fluorocarbons, hydrofluoroolefins, caprolactam, resins, ammonium sulfate for fertilizer, specialty films, waxes, additives, advanced fibers, customized research chemicals and intermediates, electronic materials and chemicals, catalysts and adsorbents.
- Transportation Systems includes Honeywell Turbo Technologies (turbochargers, charge-air and thermal systems, brake hard parts and other friction materials); and the Consumer Products Group (car care products including antifreeze, filters, spark plugs, and cleaners, waxes and additives).

The accounting policies of the segments are the same as those described in Note 1. Honeywell's senior management evaluates segment performance based on segment profit. Segment profit is measured as business unit income (loss) before taxes excluding general corporate unallocated expense, other income (expense), interest and other financial charges, pension and other postretirement benefits (expense), stock compensation expense, repositioning and other charges and accounting changes.

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts

	Years Ended December 31, 2010	2009	2008
Net Sales			
Aerospace			
Product	$ 5,868	$ 5,930	$ 7,676
Service	4,815	4,833	4,974
Total	10,683	10,763	12,650
Automation and Control Solutions			
Product	11,733	10,699	11,953
Service	2,016	1,912	2,065
Total	13,749	12,611	14,018
Specialty Materials			
Product	4,449	3,895	4,961
Service	277	249	305
Total	4,726	4,144	5,266
Transportation Systems			
Product	4,212	3,389	4,622
Total	4,212	3,389	4,622
Corporate			
Service	—	1	—
Total	—	1	—
	$ 33,370	$ 30,908	$ 36,556
Depreciation and amortization			
Aerospace	$ 224	$ 217	$ 202
Automation and Control Solutions	368	352	321
Specialty Materials	222	209	208
Transportation Systems	114	119	122
Corporate	59	60	50
	$ 987	$ 957	$ 903
Segment Profit			
Aerospace	$ 1,835	$ 1,893	$ 2,300
Automation and Control Solutions	1,770	1,588	1,622
Specialty Materials	749	605	721
Transportation Systems	473	156	406
Corporate	(211)	(145)	(204)
	$ 4,616	$ 4,097	$ 4,845
Capital expenditures			
Aerospace	$ 158	$ 184	$ 246
Automation and Control Solutions	131	114	208
Specialty Materials	188	153	194
Transportation Systems	85	70	110
Corporate	89	88	126
	$ 651	$ 609	$ 884

	December 31, 2010	2009	2008
Total Assets			
Aerospace	$ 8,604	$ 8,386	$ 8,476
Automation and Control Solutions	18,183	15,474	14,609
Specialty Materials	4,938	4,657	5,232
Transportation Systems	2,985	2,772	2,787
Corporate	3,124	4,704	4,466
	$ 37,834	$ 35,993	$ 35,570

(Dollars in millions, except per share amounts

A reconciliation of segment profit to consolidated income from continuing operations before taxes are as follows:

	Years Ended December 31, 2010	2009	2008
Segment Profit	$ 4,616	$ 4,097	$ 4,845
Other income/ (expense)(1)	66	29	685
Interest and other financial charges	(386)	(459)	(456)
Stock compensation expense(2)	(164)	(118)	(128)
Pension expense- ongoing(2)(3)	(189)	(296)	91
Pension mark to market adjustment(2)(3)	(471)	(741)	(3,290)
Other postretirement income/(expense)(2)	(29)	15	(135)
Repositioning and other charges (2)	(600)	(478)	(1,012)
Income before taxes(3)	$ 2,843	$ 2,049	$ 600

(1) Equity income/(loss) of affiliated companies is included in Segment Profit.

(2) Amounts included in cost of products and services sold and selling, general and administrative expenses.

(3) As revised for the change in our method of recognizing pension expense. See Note 1 of Notes to Financial Statements for a discussion of the change and the impacts of the change for the years ended December 31, 2009 and 2008.

Note 24. Geographic Areas - Financial Data

	Net Sales(1) Years Ended December 31, 2010	2009	2008	Long-lived Assets(2) Years Ended December 31, 2010	2009	2008
United States	$ 19,636	$ 18,742	$ 22,291	$ 14,176	$ 13,493	$ 14,193
Europe	8,419	7,632	9,484	2,988	2,232	2,050
Other International	5,315	4,534	4,781	1,847	1,790	1,143
	$ 33,370	$ 30,908	$ 36,556	$ 19,011	$ 17,515	$ 17,386

(1) Sales between geographic areas approximate market and are not significant. Net sales are classified according to their country of origin. Included in United States net sales are export sales of $3,655, $3,585 and $3,506 million in 2010, 2009 and 2008, respectively.

(2) Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets.

(Dollars in millions, except per share amounts

Note 25. Supplemental Cash Flow Information

	Years Ended December 31, 2010	2009	2008
Payments for repositioning and other charges:			
Severance and exit cost payments	$ (151)	$ (200)	$ (157)
Environmental payments	(266)	(318)	(320)
Proceeds from sale of insurance receivable	—	—	82
Insurance receipts for asbestos related liabilities	141	16	96
Asbestos related liability payments	(163)	(156)	(147)
	$ (439)	$ (658)	$ (446)
Interest paid, net of amounts capitalized	$ 410	$ 469	$ 415
Income taxes paid, net of refunds	80	361	810
Non-cash investing and financing activities:			
Common stock contributed to savings plans	105	153	220
Common stock contributed to U.S. pension plans	400	740	200
Marketable securities contributed to non-U.S. pension plans	242	—	—

(Dollars in millions, except per share amounts

Note 26. Unaudited Quarterly Financial Information

	2010 (1)				
	Mar. 31(2)	June 30(3)	Sept. 30(4)	Dec. 31(5)	Year
Net Sales	$ 7,776	$ 8,161	$ 8,392	$ 9,041	$ 33,370
Gross Profit	1,918	2,012	2,023	1,898	7,851
Net Income attributable to Honeywell	489	566	598	369	2,022
Earnings per share - basic	0.63	0.74	0.77	0.47	2.61
Earnings per share - assuming dilution	0.63	0.73	0.76	0.47	2.59
Dividends paid	0.3025	0.3025	0.3025	0.3025	1.21
Market Price					
High	45.27	48.52	44.46	53.72	53.72
Low	36.87	39.03	38.53	43.61	36.87

	2009(1)				
	Mar. 31(6)	June 30(7)	Sept. 30(8)	Dec. 31(9)	Year
Net Sales	7,570	$ 7,566	$ 7,700	$ 8,072	$ 30,908
Gross Profit	1,772	1,842	1,861	1,421	6,896
Net Income attributable to Honeywell	375	431	592	150	1,548
Earnings per share - basic	0.51	0.58	0.78	0.20	2.06
Earnings per share - assuming dilution	0.51	0.57	0.77	0.20	2.05
Dividends paid	0.3025	0.3025	0.3025	0.3025	1.21
Market Price					
High	36.04	35.79	40.17	41.31	41.31
Low	23.23	29.29	29.31	35.89	23.23

(1) As revised for the change in our method of recognizing pension expense. See Note 1 of Notes to Financial Statements for a discussion of the change and the impacts of the change for the year ended December 31, 2009.

(2) For the quarter ended March 31, 2010 our retrospective change in recognizing pension expense increased Gross Profit by $124 million, Net income attributable to Honeywell by $103 million, Earnings per share, basic by $0.13 and Earnings per share, assuming dilution by $0.13.

(3) For the quarter ended June 30, 2010 our retrospective change in recognizing pension expense increased Gross Profit by $120 million, Net income attributable to Honeywell by $98 million, Earnings per share, basic by $0.13 and Earnings per share, assuming dilution by $0.13.

(4) For the quarter ended September 30, 2010 our retrospective change in recognizing pension expense increased Gross Profit by $121 million, Net income attributable to Honeywell by $99 million, Earnings per share, basic by $0.13 and Earnings per share, assuming dilution by $0.13.

(5) The quarter ended December 31, 2010 includes $471 of pension expense as a result of mark-to-market adjustments. See Note of Notes to Financial Statements for a discussion of our accounting policy.

(6) For the quarter ended March 31, 2009 our retrospective change in recognizing pension expense reduced Gross Profit by $42 million, Net income attributable to Honeywell by $22 million, Earnings per share, basic by $0.03 and Earnings per share, assuming dilution by $0.03.

(7) For the quarter ended June 30, 2009 our retrospective change in recognizing pension expense reduced Gross Profit by $42 million, Net income attributable to Honeywell by $19 million, Earnings per share, basic by $0.03 and Earnings per share, assuming dilution by $0.03.

(8) For the quarter ended September 30, 2009 our retrospective change in recognizing pension expense reduced Gross Profit by $42 million, Net income attributable to Honeywell by $16 million, Earnings per share, basic by $0.02 and Earnings per share, assuming dilution by $0.02.

(9) For the quarter ended December 31, 2009 our retrospective change in recognizing pension expense reduced Gross Profit by $701 million, Net income attributable to Honeywell by $548 million, Earnings per share, basic by $0.72 and Earnings per share, assuming dilution by $0.71. The quarter ended December 31, 2009 includes $741 of pension expense as a result of mark-to-market adjustments. See Note of Notes to Financial Statements for a discussion of our accounting policy.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
HONEYWELL INTERNATIONAL INC.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Honeywell International Inc. and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2)presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, in 2010 the Company has changed its method of accounting for defined benefit pension costs. All periods have been retroactively restated for this accounting change.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
February 11, 2011

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable

Item 9A. *Controls and Procedures*

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure information required to be disclosed in the reports that Honeywell files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms and that it is accumulated and communicated to our management, including our Chief Executive Officer, our Chief Financial Officer and our Controller, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Honeywell management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Honeywell's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Honeywell's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Honeywell's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of Honeywell's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Honeywell's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Honeywell's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*.

Based on this assessment, management determined that Honeywell maintained effective internal control over financial reporting as of December 31, 2010.

The effectiveness of Honeywell's internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in "Item 8. Financial Statements and Supplementary Data."

Item 9B. Other Information

Not Applicable

Item 10. Directors and Executive Officers of the Registrant

Information relating to the Directors of Honeywell, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in our definitive Proxy Statement involving the election of the Directors, which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after December 31, 2010, and such information is incorporated herein by reference. Certain other information relating to the Executive Officers of Honeywell appears in Part I of this Annual Report on Form 10-K under the heading "Executive Officers of the Registrant".

The members of the Audit Committee of our Board of Directors are: Linnet Deily (Chair), Kevin Burke, Scott Davis, George Paz, and Michael W. Wright. The Board has determined that Ms. Deily is the "audit committee financial expert" as defined by applicable SEC rules and that Ms. Deily, Mr. Davis, and Mr. Paz satisfy the "accounting or related financial management expertise" criteria established by the NYSE. All members of the Audit Committee are "independent" as that term is defined in applicable SEC Rules and NYSE listing standards.

Honeywell's Code of Business Conduct is available, free of charge, on our website under the heading "Investor Relations" (see "Corporate Governance"), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. *Honeywell's Code of Business Conduct applies to all Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and* Controller) and employees. Amendments to or waivers of the Code of Business Conduct granted to any of Honeywell's directors or executive officers will be published on our website within five business days of such amendment or waiver

Item 11. Executive Committee

Information relating to executive compensation is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners and management and related stockholder matters is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information relating to certain relationships and related transactions is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information relating to fees paid to and services performed by PricewaterhouseCoopers LLP in 2010 and 2009 and our Audit Committee's pre-approval policies and procedures with respect to non-audit services are contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedules

All other financial statement schedules have been omitted because they are not applicable to us or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3.) Exhibits

See the Exhibit Index on pages 115 through 118 of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HONEYWELL INTERNATIONAL INC.

Date: February 11, 2011

By: /s/ Kathleen A. Winters
Kathleen A. Winters
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name	Name
*	*
David M. Cote Chairman of the Board, Chief Executive Officer and Director	Linnet F. Deily Director
*	*
Gordon M. Bethune Director	Clive R. Hollick Director
*	*
Kevin Burke Director	George Paz Director
*	*
Jaime Chico Pardo Director	Bradley T. Sheares, Ph.D. Director
*	*
D. Scott Davis Director	Michael W. Wright Director
/s/ David J. Anderson	/s/ Kathleen A. Winters
David J. Anderson Senior Vice President and Chief Financial Officer (Principal Financial Officer)	Kathleen A. Winters Vice President and Controller (Principal Accounting Officer)

*By: /s/ David J. Anderson
(David J. Anderson
Attorney-in-fact)
February 11, 2011

EXHIBIT INDEX

Exhibit No.	Description
3(i)	Amended and Restated Certificate of Incorporation of Honeywell International Inc., as amended April 26, 2010 (incorporated by reference to Exhibit 3(i) to Honeywell's Form 8-K filed April 27, 2010)
3(ii)	By-laws of Honeywell International Inc., as amended April 26, 2010 (incorporated by reference to Exhibit 3(ii) to Honeywell's Form 8-K filed April 27, 2010)
4	Honeywell International Inc. is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of Honeywell and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii) (A) of Item 601(b) of Regulation S-K, Honeywell agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
10.1*	2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (incorporated by reference to Honeywell's Proxy Statement, dated March 17, 2003, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934), and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2006 and Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2008
10.2*	Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for quarter ended June 30, 2003), and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and Exhibit 10.2 to Honeywell's Form 10-K for the year ended December 31, 2005
10.3*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2003), and amended by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2008
10.4*	Honeywell International Inc. Incentive Compensation Plan for Executive Employees, as amended and restated (incorporated by reference to Exhibit 10.5 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.5*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as amended and restated (incorporated by reference to Exhibit 10.6 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by the attached amendments (filed herewith)
10.6*	Honeywell International Inc. Severance Plan for Senior Executives, as amended and restated (incorporated by reference to Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2009
10.7*	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc., and its Affiliates, as amended and restated (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.8*	1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, as amended (incorporated by reference to Exhibit A to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934), and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.9 to Honeywell's Form 10-K for the year ended December 31, 2006, Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and Exhibit 10.9 to Honeywell's Form 10-K for the year ended December 31, 2008
10.9*	Honeywell International Inc. Supplemental Pension Plan, as amended and restated (incorporated by reference to Exhibit 10.10 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.10 to Honeywell's Form 10-K for the year ended December 31, 2009

Exhibit No.	Description
10.10*	Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above, as amended and restated (incorporated by reference to Exhibit 10.12 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.12 to Honeywell's Form 10-K for the year ended December 31, 2009
10.11*	Honeywell Supplemental Defined Benefit Retirement Plan, as amended and restated (incorporated by reference to Exhibit 10.13 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.13 to Honeywell's Form 10-K for the year ended December 31, 2009
10.12*	Letter between David J. Anderson and Honeywell International Inc. dated June 12, 2003 (incorporated by reference to Exhibit 10.26 to Honeywell's Form 10-Q for the quarter ended June 30, 2003), and amended by Exhibit 10.14 to Honeywell's Form 10-K for the year ended December 31, 2008
10.13*	Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control), as amended and restated (incorporated by reference to Exhibit 10.16 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.14*	Employment Agreement dated as of February 18, 2002 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.24 to Honeywell's Form 8-K filed March 4, 2002), and amended by Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended September 30, 2008 and Exhibit 10.17 to Honeywell's Form 10-K for the year ended December 31, 2008
10.15*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Award Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed February 7, 2005)
10.16*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Restricted Unit Agreement (incorporated by reference to Exhibit 10.21 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.17*	Stock Plan For Non-Employee Directors of Honeywell International Inc. Option Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K filed April 29, 2005)
10.18*	Deferred Compensation Agreement dated August 4, 2006 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2006) and amended by Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2009
10.19*	Letter Agreement dated July 27, 2001 between Honeywell and Larry E. Kittelberger (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-K for the year ended December 31, 2006), and amended by Exhibit 10.23 to Honeywell's Form 10-K for the year ended December 31, 2008
10.20*	Honeywell Supplemental Retirement Plan (incorporated by reference to Exhibit 10.24 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.21*	Pittway Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.25 to Honeywell's Form 10-K for the year ended December 31, 2006) and amended by Exhibit 10.25 to Honeywell's Form 10-K for the year ended December 31, 2008 and Exhibit 10.25 to Honeywell's 10-K for the year ended December 31, 2009
10.22*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates, as amended and restated (incorporated by reference to Exhibit 10.26 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.23*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Option Award Agreement (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended March 31, 2009)
10.24*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended March 31, 2009)
10.25*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Growth Plan Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended March 31, 2010)

Exhibit No.	Description
10.26*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates— Form of Performance Share Agreement (incorporated by reference to Exhibit 10.30 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.27*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (incorporated by reference to Exhibit 10.31 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.28*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Option Agreement (incorporated by reference to Exhibit 10.7 to Honeywell's Form10-Q for the quarter ended June 30, 2006)
10.29*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-Q for the quarter ended June 30, 2006)
10.30*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.34 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.31*	2007 Honeywell Global Employee Stock Plan (incorporated by reference to Honeywell's Proxy Statement, dated March 12, 2007, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934)
10.32*	Letter Agreement dated July 20, 2007 between Honeywell and Roger Fradin (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2007) and amended by Exhibit 10.36 to Honeywell's Form 10-K for the year ended December 31, 2009
10.33*	Consulting Agreement dated March 24, 2010 between Honeywell and Larry Kittelberger (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended March 31, 2010)
10.34*	Letter Agreement dated October 6, 2010 between Honeywell and Roger Fradin (filed herewith)
10.35*	Employee Non-Competition Agreement dated October 26, 2010 for Andreas Kramvis (filed herewith)
10.36*	2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates — Form of Restricted Unit Agreement, Form 2 (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2010)
10.37*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Option Award Agreement, Form 2 (filed herewith)
10.38*	Letter Agreement dated September 3, 2009 between Honeywell and Timothy Mahoney (filed herewith)
10.39*	Form of Honeywell International Inc. Noncompete Agreement for Senior Executives (filed herewith)
10.40	Amended and Restated Five Year Credit Agreement dated as of May 14, 2007 by and among Honeywell International Inc., the banks, financial institutions and other institutional lenders parties thereto, Citicorp USA, Inc., as administrative agent, Citibank International PLC, as swing line agent, JPMorgan Chase Bank, N.A., as syndication agent, Bank of America, N.A., Barclays Bank PLC, Deutsche Bank AG New York Branch and UBS Loan Finance LLC, as documentation agents, and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and co- book managers (incorporated by reference to Exhibit 10.1 to Honeywell's 8-K filed May 18, 2007)
10.41	Purchase and Sale Agreement between Catalysts, Adsorbents and Process Systems, Inc., and Honeywell Specialty Materials, LLC, dated September 30, 2005 (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-Q for the quarter ended September 30, 2005)
10.42	Stock Purchase Agreement by and between Honeywell International Inc. and M&F Worldwide Corp. (incorporated by reference to Exhibit 2.1 to Honeywell's Form 8-K filed November 1, 2005)
10.43	Stock Purchase Agreement dated April 3, 2008 by and among Honeywell International Inc., Safety Products Holdings, Inc., the selling shareholders party thereto, and Odyssey Investment Services, L.L.C. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed April 7, 2008)

Exhibit No.	Description
10.44	Stock and Asset Purchase Agreement dated June 9, 2008, by and between Honeywell International Inc. and BE Aerospace, Inc. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed June 11, 2008)
10.45	Tender Offer Agreement dated May 19, 2010 by and among Sperian Protection S.A., Honeywell International Inc. and Honeywell Holding France SAS (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended June 30, 2010)
10.46	Stock and Asset Purchase Agreement by and among Autoparts Holdings Limited, Honeywell International Inc. and Rank Group Limited dated January 27, 2011 (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed January 31, 2011)
12	Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith)
18	Letter on Change in Accounting Principles (filed herewith)
21	Subsidiaries of the Registrant (filed herewith)
23	Consent of PricewaterhouseCoopers LLP (filed herewith)
24	Powers of Attorney (filed herewith)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (furnished herewith)

The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

Honeywell International Inc.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2010
(Dollars in millions)

Allowance for Doubtful Accounts:

Balance December 31, 2007	$	181
Provision charged to income		93
Deductions from reserves		(94)
Acquisitions		6
Balance December 31, 2008		186
Provision charged to income		177
Deductions from reserves		(134)
Acquisitions		6
Balance December 31, 2009		235
Provision charged to income		145
Deductions from reserves		(111)
Acquisitions		8
Balance December 31, 2010	$	277

Deferred Tax Assets—Valuation Allowance

Balance December 31, 2007	$	490
Additions charged to income tax expense		112
Reductions credited to income tax expense		(54)
Reductions charged to deferred tax assets due to expiring NOLs		(8)
Reductions charged to deferred tax assets due to capital loss carryforwards		(7)
Additions charged to equity		(51)
Reductions credited to goodwill		(37)
Balance December 31, 2008		445
Additions charged to income tax expense		142
Reductions credited to income tax expense		(30)
Reductions charged to deferred tax asset due to expired NOL		3
Reductions charged to deferred tax assets due to capital loss carryforwards		(9)
Additions charged to equity		27
Balance December 31, 2009		578
Additions charged to income tax expense		129
Reductions credited to income tax expense		(90)
Reductions charged to deferred tax asset due to expired NOL		(7)
Reductions charged to deferred tax assets due to capital loss carryforwards		(1)
Additions charged to equity		(17)
Additions charged to goodwill		44
Balance December 31, 2010	$	636

AMENDMENT 2010-1
TO THE
SUPPLEMENTAL NON-QUALIFIED SAVINGS PLAN FOR
HIGHLY COMPENSATED EMPLOYEES OF
HONEYWELL INTERNATIONAL INC. AND ITS SUBSIDIARIES
(Amended and Restated Effective January 1, 2009)

The Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries (the "Plan") is hereby amended pursuant to Section 13(f) of the Plan, effective as of January 1, 2011, as follows:

1. Section 5(a) of the Plan is hereby amended in its entirety as follows:

(a) Participant Deferred Contributions. For a particular Plan Year, a Participant may elect to defer an aggregate amount equal to (i) the difference between the maximum percentage of Base Annual Salary that the Participant may contribute for the Plan Year as Before-Tax Contributions or Roth Contributions under the Qualified Savings Plan (8% for 2011), without regard to any other limitations that may apply under the Code, and the actual Before-Tax Contributions or Roth Contributions the Participant contributes to the Qualified Savings Plans for the Plan Year, and/or (ii) from 1% to 25% (in whole percentages) of such Participant's Base Annual Salary, without regard to any other limitations which may apply under the Code (collectively, "Participant Deferred Contributions"); provided, however, that a Participants who elects to defer any amount hereunder shall be required to make the maximum Before-Tax Contributions or Roth Contributions, as applicable, permissible under the Qualified Savings Plan for the applicable Plan Year (after giving effect to deferrals under the Plan or otherwise). For purposes of any "spillover" of deferrals from the Qualified Savings Plans, any amounts that were contributed as Roth Contributions to the Qualified Savings Plans shall be contributed as pre-tax contributions to the Plan."

2. The term "Before-Tax Contributions" in Section 5(b) of the Plan shall be replaced with "Before-Tax Contributions or Roth Contributions" everywhere it appears in this section.

3. In all other respects, the Plan shall remain the same.

AMENDMENT
TO THE
SUPPLEMENTAL NON-QUALIFIED SAVINGS PLAN FOR
HIGHLY COMPENSATED EMPLOYEES OF
HONEYWELL INTERNATIONAL INC.
AND ITS SUBSIDIARIES
(as amended and restated effective January 1, 2009)

Pursuant to the authority granted to you by the Chief Executive Officer of Honeywell International Inc. on December 23, 2010, the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and Its Subsidiaries (the "Plan") shall be, and hereby is, amended in the following particulars to provide an increased rate of Plan Employer Contributions effective with employee and employer matching contributions posted on or after July 1, 2010:

1. The following paragraphs shall replace Section 5(b) of the Plan in its entirety:

"Effective for Participant Deferred Contributions posted to a Participant's Account on or after July 17, 2009, there shall be credited to the Participant's Account employer contributions under the Plan (Plan Employer Contributions') in an aggregate amount equal to (i) minus (ii), where (i) is 25% (for Participants entitled to a 25% Employer Contribution in the Qualified Savings Plans) or 50% (for Participants entitled to a 50% Employer Contribution in the Qualified Savings Plans) of the lesser of (x) 8% of the Participant's Base Annual Salary without regard to any limitations that may apply under the Code, or (y) the sum the Participant contributes as Before-Tax Contributions and/or After-Tax Contributions to the Qualified Savings Plans and as Participant Deferred Contributions, and (ii) is the total amount of Employer Contributions contributed to the Participant's account under the Qualified Savings Plans; provided, however, that in no event shall the combined Plan Employer Contributions and Savings Plan Employer Contributions exceed 8% of the Participant's Base Annual Salary without regard to any limitations that may apply under the Code, and provided, further, that Plan Employer Contributions shall not be made with respect to a Participant during any period of suspension of Employer Contributions with respect to such Participant under the terms of the Qualified Savings Plans, whether or not such Participant continues to make Participant Contributions under the Qualified Savings Plans during the period of such suspension.

With respect to Participants who were employed on December 31, 2010, there shall be an additional amount credited to the Participant's Account as Plan Employer Contributions in an aggregate amount equal to 25% of the Plan Employer Contributions previously credited during the period starting on July 1, 2010 and ending on December 31, 2010.

Effective for Participant Deferred Contributions posted to a Participant's Account on or after January 1, 2011, there shall be credited to the Participant's Account Plan Employer Contributions in an aggregate amount equal to (i) minus (ii), where (i) is 31.25% (for Participants entitled to a 31.25% Employer Contribution in the Qualified Savings Plans) or 62.5% (for Participants entitled to a 62.5% Employer Contribution in the Qualified Savings Plans) of the lesser of (x) 8% of the Participant's Base Annual Salary without regard to any limitations that may apply under the Code, or (y) the sum the Participant contributes as Before-Tax Contributions and/or After-Tax Contributions to the Qualified Savings Plans and as Participant Deferred Contributions, and (ii) is the total amount of Employer Contributions contributed to the Participant's account under the Qualified Savings Plans; provided, however, that in no event shall the combined Plan Employer Contributions and Savings Plan Employer Contributions exceed 8% of the Participant's Base Annual Salary without regard to any limitations that may apply under the Code, and provided, further, that Plan Employer Contributions shall not be made with respect to a Participant during any period of suspension of Employer Contributions with respect to such Participant under the terms of the Qualified Savings Plans, whether or not such Participant continues to make Participant Contributions under the Qualified Savings Plans during the period of such suspension."

2. In all other respects, the Plan shall remain the same.

/s/ Brian J. Marcotte

Brian J. Marcotte
Vice President, HR, Compensation & Benefits

January 6, 2011

Exhibit 10.34

Honeywell

October 6, 2010

Mr. Roger Fradin
26 Crane Road
Lloyd Harbor, New York 11743

Dear Roger:

I am pleased to confirm additional terms and conditions of your benefits package. The benefits described in this letter were approved by the Management Development and Compensation Committee of the Board of Directors at its meeting on September 24, 2010 and will be effective as of the date you execute Honeywell's "Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information" and "Employee Non-Competition Agreement" in the form attached hereto as Exhibits A and B, respectively. The terms and conditions of these additional benefits can be summarized as follows:

Retirement Benefits

The additional retirement benefit described in your Letter Agreement dated July 20, 2007 will be subject to a minimum annual single life annuity of $1,400,000 commencing on the later of August 5, 2013 or your termination of employment with Honeywell.

The augmented retirement benefit described herein is subject to the following terms and conditions:

- You must remain actively employed by Honeywell until August 5, 2013 (the "Retention Date"); provided, however, the requirement that you remain employed by Honeywell through the Retention Date shall not apply in the event you die or become disabled while employed by the Company or you are involuntarily terminated by the Company other than for Cause (as defined in the 2006 Stock Incentive Plan, which definition incorporates the definition of "Gross Cause" under the Senior Severance Plan); *and*
- Prior to August 5, 2013, you may not engage, or knowingly permit another person to engage on your behalf, in an external CEO search.

Equity Vesting

If you (a) retire from Honeywell after August 5, 2015, or (b) are involuntarily terminated other than for Cause prior to August 5, 2015, and you have outstanding, unvested stock options or restricted stock units that are not subject to performance conditions, such stock options and restricted stock units will vest as of your retirement date or termination date, as applicable. If you (x) retire from Honeywell after August 5, 2015, or (y) are involuntarily terminated other than for Cause prior to August 5, 2015, and you have outstanding, unvested stock options or restricted stock units from an equity grant that included one or more performance conditions (including an equity grant where only some of the stock options or restricted stock units are subject to performance conditions), the stock options or restricted stock units that are not subject to the performance conditions will vest as of your retirement date or termination date, as applicable, while the stock options or restricted units, if any, that are subject to performance conditions will vest, if at all, as of the end of the performance cycle, but only to the extent Honeywell determines that the applicable performance conditions have been satisfied. The extraordinary equity vesting terms described herein shall not apply to stock option or restricted stock unit grants to the extent the grant date thereof is within twelve (12) months of your retirement date or termination date, as applicable.

Stock options that vest under this section may be exercised during the exercise period described in the applicable award agreement. Restricted stock units that vest under this section will be paid to you as soon as practicable following the applicable vesting date, but in no event later than 2-½ months of the calendar year following the calendar year in which the vesting date occurs. These extraordinary equity vesting provisions are subject to the requirements of Internal Revenue Code Section 409A.

The extraordinary equity vesting terms described herein are subject to the following terms and conditions:

- Prior to August 5, 2015, you may not engage, or knowingly permit another person to engage on your behalf, in an external CEO search unless you have been involuntarily terminated other than for Cause prior to August 5, 2015; *and*
- Prior to August 5, 2015, you may not accept a position with another company unless you have been involuntarily terminated other than for Cause prior to August 5, 2015; *and*
- You must limit your participation as an outside board director to two public and/or private entities (i.e., your current directorship on MSC Industrial Direct Co. plus one additional directorship), with all directorships subject to prior Honeywell CEO approval; *and*
- You must execute Honeywell's "Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information" and "Employee Non-Competition Agreement," in the form attached hereto as Exhibits A and B, respectively; *and*
- You must provide Honeywell with twelve (12) months of transition services before you voluntarily terminate your employment for any reason, including retirement; provided, however, you shall not be treated as not having satisfied this condition if you become Disabled (as defined in the 2006 Stock Incentive Plan); *and*
- You must not be terminated for Cause.

If the Company determines, in its sole judgment, that you have violated any of the terms or conditions applicable to the extraordinary equity vesting as described herein or the terms of Exhibit A or B, Honeywell shall have the following remedies:

- If the Company's determination occurs before your termination date, all stock options and restricted units (and all related dividend equivalents) subject to these extraordinary equity vesting terms shall immediately be cancelled, and you will forfeit any and all rights you have with respect to such grants as of the date of the Company's determination; or
- If the Company's determination occurs after your termination date (i) any outstanding stock options and restricted units (and all related dividend equivalents) that previously vested pursuant to to these extraordinary equity vesting terms shall immediately be cancelled, and

you will forfeit any and all rights you have with respect to such grants as of the date of the Company's determination, and (ii) you agree and promise to immediately deliver to Honeywell shares of common stock equal in value to the shares you received as a result of the extraordinary equity vesting terms described herein.

This letter is intended to supplement, not supercede, any other rights Honeywell may have to recoup equity awards under the terms of the applicable award agreements or to pursue other rights or remedies described more fully in Exhibits A or B, respectively.

All other terms and conditions of your equity grants shall remain subject to the terms and conditions of the applicable stock plans and award agreements.

Special Conditions

If, at any time while you are still employed by Honeywell, David M. Cote (a) ceases to be employed by Honeywell, or (b) ceases to be the Chief Executive Officer of Honeywell, the extraordinary equity vesting terms described above shall apply immediately upon your resignation from Honeywell if you are not selected to succeed Mr. Cote as Honeywell's Chief Executive Officer, provided you have not violated the terms and conditions set forth above prior to your resignation/termination date (except six (6) months shall be substituted for twelve (12) months with respect to the provision of transition services and you may engage in an external CEO search or accept a position with another company while still employed by Honeywell). Nothing contained in this paragraph shall abrogate your responsibilities under the "Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information" and "Employee Non-Competition Agreement," or otherwise diminish Honeywell's rights under the clawback provisions described above.

Roger, I very much look forward to continuing working with you. Your talent, experience and background are terrific assets to Honeywell.

Please indicate your acceptance of the terms and conditions of this letter by returning a signed copy of this letter, along with signed copies of Exhibits A and B, to my attention.

Congratulations,

/s/ David M. Cote
David M. Cote
Chief Executive Officer and Chairman of the Board
Honeywell International Inc.

Read and Accepted:

/s/ Roger Fradin
Roger Fradin
Date: October 18, 2010

EXHIBIT A

HONEYWELL INTERNATIONAL INC.
Employee Agreement Relating to Trade Secrets,
Proprietary and Confidential Information

In consideration of my employment, continued employment, compensation and the equipment, materials, facilities and Honeywell's "Trade Secrets, Proprietary and Confidential Information" (as hereinafter defined) supplied to me, I understand and agree that:

1. **Records of Inventions.** I will keep complete and current written records of all Inventions I Make during the period of time I am employed by Honeywell and promptly disclose all such Inventions in writing to Honeywell for the purpose of adequately determining Honeywell's rights in each such Invention. I will supplement any such disclosures to the extent Honeywell may request that I do so. If I have any doubt as to whether or not to disclose an Invention to Honeywell, I will disclose it.

2. **Disclosure of Inventions after Termination.** I will promptly and completely disclose in writing to Honeywell's Law Department all Inventions which I Make during the one year immediately following the end of my employment by Honeywell which relate either to my work assignment at Honeywell or to Honeywell's Trade Secrets, Proprietary and Confidential Information for the purpose of determining Honeywell's rights in each such Invention. I will not file any patent application relating to any such Invention without the prior written consent of Honeywell's Law Department. If I do not prove that I Made the Invention entirely after leaving Honeywell's employment, the Invention is presumed to have been Made during the period of time I was employed by Honeywell. I acknowledge that the conditions of this paragraph are no greater than is necessary for protecting Honeywell's interests in Honeywell's Trade Secrets, Proprietary and Confidential Information and in Inventions to which it is rightfully entitled.

3. **Ownership of Inventions.** Each and every Invention I Make during the period of time I am employed by Honeywell (a) which relates directly to the business of Honeywell or to Honeywell's actual or demonstrably anticipated research or development, or (b) which results from any work I perform for Honeywell is the sole and exclusive property of Honeywell, and I agree to assign and hereby assign my entire right, title and interest in each such Invention to Honeywell. Each Invention I Make during the period of time I am employed by Honeywell for which no equipment, supplies, facilities or Honeywell Trade Secrets, Proprietary or Confidential Information was used and which was developed entirely on my own time is my property, unless (a) the Invention relates directly to the business of Honeywell or to Honeywell's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by me for Honeywell. If I assert any property right in an Invention I Make during the period of time I am employed by Honeywell, I will promptly notify Honeywell's Law Department in writing.

4. **Cooperation with Honeywell.** I will assist and fully cooperate with Honeywell in obtaining, maintaining, and asserting the fullest measure of legal protection, which Honeywell elects to obtain, maintain or assert for Inventions in which it has a property right. I will also assist and fully cooperate with Honeywell in defending Honeywell against claims of violation of the intellectual property rights of others. I will be paid my reasonable expenses in assisting, and cooperating with, Honeywell. I will execute any lawful document Honeywell requests me to execute relating to obtaining, maintaining, or asserting legal protection for any said Invention or in defending against claims of the violation of the intellectual property rights of others (including, but no limited to,

executing applications, assignments, oaths, declarations, and affidavits) and I will make myself available for interviews, depositions and testimony. In the event that Honeywell is unable, after reasonable effort, to secure my signature on any document or documents needed to apply for or prosecute any patent, copyright, or other right or protection relating to an Invention, for any other reason whatsoever, I hereby irrevocably designate and appoint Honeywell and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf to execute and file any such application or applications, and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or similar protections thereon with the same legal force and effect as if executed by me.

5. **Pre-employment Inventions.** On Schedule A, which is an integral part of this agreement, I have completely identified (without disclosing any trade secret, proprietary or other confidential information) every Invention I Made before my employment by Honeywell in which I have an ownership interest and which is not the subject matter of an issued patent or a printed publication at the time I sign this agreement. If I become aware of any projected or actual use of any such Invention by Honeywell, I will promptly notify Honeywell in writing of said use. Except as to the Inventions listed on Schedule A or those which are the subject matter of an issued patent or a printed publication at the time I sign this agreement, I will not assert any rights against Honeywell with respect to any Invention Made before my employment by Honeywell.

6. **Honeywell's Trade Secrets, Proprietary and Confidential Information.** I will never, directly or indirectly, use Honeywell's Trade Secrets, Proprietary and Confidential Information except in furthering Honeywell's business nor will I disclose or disseminate Honeywell's Trade Secrets, Proprietary and Confidential Information to anyone who is not an officer, director, employee, attorney or authorized agent of Honeywell without the prior written consent of Honeywell's Law Department unless the specific item of Honeywell's Trade Secrets, Proprietary and Confidential Information: (a) is now in, or hereafter, (through no breach of this agreement) becomes general public knowledge, or (b) prior to my disclosure, dissemination or use, was lawfully acquired by me without any obligation to retain the information in confidence. In this connection, I will not publish any of Honeywell's Trade Secrets, Proprietary and Confidential Information for dissemination outside Honeywell or file any patent application relating to any Invention I Make during the period of time I am employed by Honeywell without the prior written approval of Honeywell's Law Department. I will execute any agreement relating to the protection of Honeywell's Trade Secrets, Proprietary and Confidential Information or such information of any third party whose intellectual property Honeywell is under a legal obligation to protect if Honeywell requests that I do so. I will not engage without the prior written consent of Honeywell's Law Department, either during the period of time I am employed by Honeywell or for a period of two years after that employment, in any activity or employment in the faithful performance of which it could be reasonably anticipated that I would use or disclose Honeywell's Trade Secrets, Proprietary and Confidential Information. All documents and tangible things embodying or containing Honeywell's Trade Secrets, Proprietary and Confidential Information are Honeywell's exclusive property. I have access to them solely for performing the duties of my employment by Honeywell. I will protect the confidentiality of their content and comply with all security policies and procedures, which may, from time to time, be established by Honeywell. I will return all of them and all copies, facsimiles and specimens of them and any other tangible forms of Honeywell's Trade Secrets, Proprietary and Confidential Information in my possession, custody or control to Honeywell before leaving the employment of Honeywell.

I understand that I have the right to use or practice any skill or expertise generally associated with my employment but not special or unique to Honeywell, but that I do not have the right to use, practice or disclose Honeywell's Trade Secrets, Proprietary and Confidential Information for my own benefit or for the benefit of any third party.

7. **Trade Secrets, Proprietary or Confidential Information from Previous Employment.** I certify that I have not, and will not, disclose or use during my employment by Honeywell, any trade secrets, proprietary or confidential information which I acquired as a result of any previous employment or under a contractual obligation of confidentiality before my employment by Honeywell. I understand that Honeywell has no interest in and will not accept disclosure by me of any trade secrets, proprietary or confidential information, which belongs to a third party. If I am ever placed in a position where I will be required or am given an assignment that will require me to use, directly or indirectly, any trade secrets, proprietary or confidential information of any person, previous employer or any third party, I will promptly inform Honeywell's Law Department and my supervisor before I undertake any activity that would involve the use or disclosure of such information or present the appearance to any such third party that I have used or disclosed such information. If I fail to do so, Honeywell may elect not to indemnify me in the event of litigation and may take such other actions, as it deems appropriate, up to and including termination of my employment.

8. **Prior Restrictive Obligation.** On Schedule B, which is an integral part of this agreement, I have completely identified all prior obligations (written and oral), which restrict my ability to perform the duties of my employment by Honeywell, including all confidentiality agreements and covenants restricting future employment.

9. **Non-Solicitation of Honeywell Employees.** I acknowledge that Honeywell has invested, and will continue to invest, significant time and money to recruit and retain its employees. Therefore, recognizing that in the course of my employment I have obtained valuable information about Honeywell employees, their respective talents and areas of expertise, I agree that during my employment with Honeywell and until the later of (a) the date I attain age 65 (August 5, 2018), or (b) for a period of two (2) years following the later of (i) my "Termination of Employment" from Honeywell for any reason, or (ii) the "Date on which Salary Continuation Benefits End," if applicable, I will not, directly or indirectly, cause any individual previously employed by Honeywell to be employed by, or participate in any manner in the employment of any such individual by, any person or entity other than Honeywell unless such individual had not been employed by Honeywell for at least 12 months or in any way induce or attempt to induce such individual to leave the employment of Honeywell.

10. **Non-Solicitation of Honeywell Customers.** I acknowledge that Honeywell has invested and will continue to invest significant time and money to develop valuable, continuing relationships with existing and prospective clients and customers of Honeywell. Therefore, recognizing that in the course of my employment I have obtained valuable information about Honeywell customers and their requirements, I agree that, during my employment with Honeywell and until the later of (a) the date I attain age 65 (August 5, 2018), or (b) for a period of two (2) years following the later of (i) my "Termination of Employment" from Honeywell for any reason, or (ii) the "Date on which Salary Continuation Benefits End," if applicable, I will not solicit or attempt to solicit, directly or indirectly, for my own account or for others, any existing clients or customers of Honeywell with whom I had contact or of whom I became aware while employed by Honeywell during the two year period prior to my termination, or any prospective clients or customers of Honeywell with whom I had contact and with whom the company took significant steps to do business during the two year period prior to my termination, for the purpose of inducing such clients or customers to cease doing business with Honeywell or to purchase, lease or utilize

products or services which are competitive with, are similar to, or which may be used as substitutes for any products or services offered by Honeywell.

11. **Notice to Future Employers.** For the period of two years immediately following the end of my employment by Honeywell, I will inform each new employer, prior to accepting employment, of the existence of this agreement and provide that employer with a copy of it. Honeywell has the right to inform any future employer of the existence of this agreement and to provide any future employers with a copy of it.

12. **Copyright.** As to all works prepared by me which are: (i) within the scope of my employment, or (ii) based upon information I acquired from Honeywell which is not normally made available to the public; or (iii) commissioned by Honeywell, but not within my scope of employment, I hereby agree to:

    (a) Submit to Honeywell's Law Department and to my supervisor for approval for publication or oral dissemination;

    (b) Assign all right, title and interest in and to the copyright in all such works to Honeywell; and

    (c) Waive any claim of moral rights, author's rights, droit moral, or any equivalent rights to the extent necessary or permitted by law.

    I hereby release and allow Honeywell to use, for any lawful purpose, any voice reproduction, photograph, or other video likeness of me made in the course of my employment.

13. **Acknowledgement of Receipt.** I acknowledge that I have received a copy of this agreement prior to accepting employment or continued employment with Honeywell and that execution of this agreement was an express condition of my employment or continued employment.

14. **Effectiveness of Agreement.** This agreement becomes effective when I sign it, my obligations under it continue throughout the entire period of time I am employed by Honeywell, without regard to the business organization within Honeywell with which I am associated and these obligations will continue after, and survive, the end of my employment by Honeywell. This agreement replaces previous agreements relating to the subject matter of this agreement and shall be deemed effective as of the first day of my employment by Honeywell just as though I had executed this agreement on that first day except that such replacement shall not affect rights and obligations of me or Honeywell arising out of any such prior agreement, which rights and obligations shall continue to be in effect.

15. **Identity of Future Employer.** Upon termination of my employment for any reason, if reasonably requested by Honeywell, I shall advise Honeywell of the name and address of my intended future employer.

16. **Remedies.** I acknowledge that a remedy at law for any breach or threatened breach of the provisions of this Agreement would be inadequate and therefore agree that Honeywell shall be entitled to injunctive relief in case of any such breach or threatened breach. In the event that a court determines that I have breached or threatened to breach this agreement, I agree to reimburse Honeywell for all attorneys' fees and costs incurred in enforcing the terms of the agreement. However, nothing contained herein shall be construed as prohibiting Honeywell from pursuing any

other remedies available for any such breach or threatened breach against me or my then-current employer which may also include but not be limited to contract damages, lost profits and punitive damages.

17. **Successors; Binding Agreement.** This agreement binds my heirs, executors, administrators, legal representatives and assigns and inures to the benefit of Honeywell and its successors and assigns. Only a written amendment executed by both Honeywell and me can modify this agreement.

18. **Governing Law.** This agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without regard to its principles of conflicts of law.

19. **Validity.** It is the desire and intent of the parties hereto that the provisions of this agreement shall be enforced to the fullest extent legally-permissible. Accordingly, if any particular provision(s) of this agreement shall be adjudicated to be invalid or unenforceable, the court may modify or sever such provision(s), such modification or deletion to apply only with respect to the operation of such provision(s) in the particular jurisdiction in which such adjudication is made. In addition, if any one or more of the provisions contained in this agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear. The remaining provisions of this agreement shall remain in full force and effect.

20. **Definitions**

(a) "Honeywell" collectively identifies Honeywell International Inc. (a Delaware corporation having a place of business at Columbia Road and Park Avenue, Morris Township, Morris County, New Jersey), its predecessors, designees and successors and its past, present and future operating companies, divisions, subsidiaries, affiliates and other business units, including businesses acquired by purchase of stock, merger or otherwise;

(b) "Trade Secrets, Proprietary and Confidential Information" means information which is not generally known in the industry in which Honeywell is engaged, which may be disclosed to me or which I may learn, observe, discover or otherwise acquire during, or as a result of, my employment by Honeywell and which includes, without limitation, any information, whether patentable, patented or not, relating to any existing or contemplated products, inventions, services, technology, concepts, designs, patterns, processes, compounds, formulae, programs, devices, tools, compilations of information, methods, techniques, and including information relating to any research, development, manufacture, purchasing, engineering, know-how, business plans, sales or market methods, methods of doing business, customer lists, customer usages or requirements, or supplier information, which is owned or licensed by Honeywell or held by Honeywell in confidence.

(c) "Invention" includes not only inventions (whether or not patentable), but also innovations, improvements, discoveries, ideas and all other forms of intellectual property (including, but not limited to, copyright works and mask works) – whether or not any of the foregoing constitutes trade secret or other confidential information; and

(d) "Make" or "Made" when used in relation to Invention includes any one or any combination of (i) conception, (ii) reduction to practice or (iii) development of an Invention and is without regard to whether I am a sole or joint inventor.

(e) "Termination of Employment" means my last day of active employment with Honeywell.

(f) "Date on which Salary Continuation Benefits End" means the last day on which I receive any salary continuation benefits under any (i) severance plan sponsored or funded by Honeywell, (ii) agreement by Honeywell to pay severance benefits, whether oral or written, express or implied, or (iii) any statutory, regulatory, court or other legally-mandated entitlement to notice, redundancy, or severance pay or any other termination benefits, if my employment is terminated under circumstances that entitle me to such benefits.

21. ***Headings Descriptive.*** *The headings of the several paragraphs of this Agreement are inserted for convenience only and shall not in any way affect the* meaning or construction of this Agreement.

/s/ Roger Fradin — October 18, 2010

Roger Fradin — Date

SCHEDULE A

INVENTIONS I MADE BEFORE THE TERM OF MY EMPLOYMENT BY HONEYWELL IN WHICH I HAVE AN OWNERSHIP INTEREST WHICH ARE NOT THE SUBJECT MATTER OF ISSUED PATENTS OR PRINTED PUBLICATIONS:

(If there are none, please enter the word "NONE")

NOTE: Please describe each such Invention without disclosing trade secrets, proprietary or confidential information.

NONE

[Attach additional sheets if more space is needed.]

SCHEDULE B

RESTRICTIVE WRITTEN AND ORAL OBLIGATIONS:
(If there are none, please enter the word "NONE")
NOTE: Please give date of, and parties to, obligations and the nature and substance of the restriction.

NONE

[Attach additional sheets if more space is needed.]

EXHIBIT B

HONEYWELL INTERNATIONAL INC.
Employee Non-Competition Agreement

In consideration of my employment, continued employment, compensation and post-termination benefits, I agree that throughout my employment with Honeywell and until the later of (a) the date I attain age 65 (August 5, 2018), or (b) for a period of two (2) years following the later of (i) my "Termination of Employment" from Honeywell for any reason, or (ii) the "Date on which Salary Continuation Benefits End," if applicable, I will not, without the written consent of Honeywell, directly or indirectly, engage or be interested in (without any geographic restrictions or limitations), as owner, partner, shareholder, employee, director, officer, agent, consultant or otherwise, directly or indirectly, with or without compensation, any Competing Business or assist any Competing Business.

For purposes of this Agreement, "Competing Business" shall mean (i) Siemens A.G. and its subsidiaries and affiliates, (ii) Tyco International and its subsidiaries and affiliates, (iii) General Electric Company, and its subsidiaries and affiliates, (iv) Emerson Electric Co. and its subsidiaries and affiliates, (v) Johnson Controls, Inc. and its subsidiaries and affiliates, and (vi) any business entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization or entity ("Business Entity") with annual gross sales in excess of $1 billion, but only to the extent such Business Entity designs, develops, produces, offers for sale or sells security and fire protection products and systems or products or services that can be used as a substitute for, or are generally intended to satisfy the same customer needs for, any fire and security products or services of Honeywell. Nothing herein, however, shall prohibit me from acquiring or holding not more than one percent (1%) of any class of publicly traded securities of any such business; provided that such securities entitle me to no more than one percent (1%) of the total outstanding votes entitled to be cast by security holders of such business in matters on which such security holders are entitled to vote.

In the event any of the foregoing covenants shall be determined by any court of competent jurisdiction to be unenforceable by reason of extending for too great a period of time, over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. The invalidity or unenforceability of any particular provision of this Non-Competition Agreement shall not affect the other provisions hereof, which shall remain in full force and effect.

I agree that Honeywell's remedies at law would be inadequate in the event of a breach or threatened breach of this Non-Competition Agreement; accordingly, Honeywell shall be entitled, in addition to its rights at law, to seek an injunction or other equitable relief without the need to post a bond.

This Agreement should be read in concert with the Honeywell International Inc. Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information and is not meant to conflict with or supersede that Agreement.

I acknowledge that I have read this Non-Competition Agreement. I understand that to the extent applicable, it remains in effect during my employment and following the termination of my employment. This Non-Competition Agreement may be amended only by a written agreement signed by both parties.

/s/ Roger Fradin October 18, 2010

Roger Fradin Date

This Non-Competition Agreement was signed in consideration of my employment, continued employment, compensation, post-termination benefits and the benefits described in the letter dated October 6, 2010, as well as other good and valuable consideration.

EXHIBIT B
HONEYWELL INTERNATIONAL INC.
Employee Non-Competition Agreement

In consideration of my employment, continued employment, compensation, equity awards, post-termination benefits and the special grant of restricted stock units, I agree that throughout my employment with Honeywell and for a period of two (2) years following the later of (i) my Termination of Employment[1] from Honeywell for any reason, or (ii) the Date on which Salary Continuation Benefits End,[2] if applicable, I will not, without the written consent of Honeywell, directly or indirectly, engage or be interested in (without any geographic restrictions or limitations), as owner, partner, shareholder, employee, director, officer, agent, consultant or otherwise, directly or indirectly, with or without compensation, any Competing Business or assist any Competing Business.

For purposes of this Exhibit, "Competing Business" shall mean each of the following, along with their subsidiaries and affiliates, successors and assigns: (i) Siemens Building Technology division; (ii) Tyco International's Security business; (iii) Bosch's Security Systems business; (iv) Emerson Electric Co.'s Climate Technologies business; (v) Schneider Electric; (vi) Johnson Controls, Inc.'s Building Efficiency (York) business; (vii) Cisco Systems' Converged Building Systems business; (viii) Arkema Inc.; (ix) Axens; (x) BASF; (xi) DSM Dyneema; (xii) E.I. DuPont de Nemours; (xiii) Ingersoll Rand; (xiv) Shell (Criterion) Chemicals; (xv) Dow Chemical; (xvi) Sigma-Aldrich Corp.; (xvii) United Technologies' Carrier business; (xviii) Lennox International Inc.; (xix) Invensys; and (xx) any business entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization or entity ("Business Entity") (A) with annual gross sales in excess of $1 billion, (B) that designs, develops, produces, offers for sale or sells products or services that can be substituted for the products or services of any Honeywell strategic business group, unit or enterprise, or similar division or business segment, over which I had executive authority within ten (10) years prior to my termination of employment (*including, but not limited to*, security, building automation, controls and combustion, building solutions and systems integration, refining, petrochemical technologies and materials, resins and chemicals, electronic materials, fluorine products, advanced fibers and composites, refrigerants, specialty gases, additive and other specialty products) ("Competitive Honeywell Activities"), *and* (C) with gross revenue from Competitive Honeywell Activities of at least $100 million in any of the Business Entity's two (2) preceding fiscal years. Nothing herein, however, shall prohibit me from acquiring or holding not more than one percent (1%) of any class of publicly traded securities of any such business; provided that such securities entitle me to no more than one percent (1%) of the total outstanding votes entitled to be cast by security holders of such business in matters on which such security holders are entitled to vote.

In the event any of the foregoing covenants shall be determined by any court of competent jurisdiction to be unenforceable by reason of extending for too great a period of time, over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, and/or to the maximum extent in all other respects as to which it may be

1 "Termination of Employment" means my last day of active employment with Honeywell.

2 "Date on which Salary Continuation Benefits End" means the last day on which I receive any salary continuation benefits under any (i) severance plan sponsored or funded by Honeywell, (ii) agreement by Honeywell to pay severance benefits, whether oral or written, express or implied, or (iii) any statutory, regulatory, court or other legally-mandated entitlement to notice, redundancy, or severance pay or any other termination benefits, if my employment is terminated under circumstances that entitle me to such benefits.

enforceable, all as determined by such court in such action. The invalidity or unenforceability of any particular provision of this Non-Competition Agreement shall not affect the other provisions hereof, which shall remain in full force and effect.

I agree that Honeywell's remedies at law would be inadequate in the event of a breach or threatened breach of this Non-Competition Agreement. Accordingly, Honeywell shall be entitled, in addition to its rights at law, to seek an injunction or other equitable relief without the need to post a bond.

This Agreement should be read in concert with the Honeywell International Inc. Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information and is not meant to conflict with or supersede that Agreement. This Agreement and the Honeywell International Inc. Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information supercede all prior agreements between Honeywell (or its predecessor companies) and me with respect to the subject matter hereof.

I acknowledge that I have read this Non-Competition Agreement. I understand that to the extent applicable, it remains in effect during my employment and following the termination of my employment. This Non-Competition Agreement may be amended only by a written agreement signed by both parties.

/s/ Andreas Kramvis — 10/26/10

Andreas Kramvis — Date

This Non-Competition Agreement was signed in consideration of my employment, continued employment, compensation, equity awards, post-termination benefits and the special grant of restricted stock units, as well as other good and valuable consideration.

Exhibit 10.37

2006 Stock Incentive Plan
of Honeywell International Inc. and its Affiliates
STOCK OPTION AWARD AGREEMENT, FORM 2

STOCK OPTION AWARD AGREEMENT made in Morris Township, New Jersey, as of the **[DAY]** day of **[MONTH, YEAR]** (the "Date of Grant"), between Honeywell International Inc. (the "Company") and [EMPLOYEE NAME] (the "Employee").

1. **Grant of Option.** The Company has granted you an Option to purchase [NUMBER] Shares of Common Stock, subject to the provisions of this Agreement and the 2006 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates (the "Plan"). This Option is a nonqualified Option.

2. **Exercise Price.** The purchase price of the Shares covered by the Option will be [DOLLAR AMOUNT] per Share.

3. **Vesting.** Except in the event of your death or Disability or the occurrence of a Change in Control, the Option will become exercisable in cumulative installments as follows: [VESTING PROVISIONS CONSISTENT WITH THE PLAN].

4. **Term of Option.** The Option must be exercised prior to the close of the New York Stock Exchange ("NYSE") on [EXPIRATION DATE], subject to earlier termination or cancellation as provided below. If the NYSE is not open for business on the expiration date specified, the Option will expire at the close of the NYSE on the business day immediately preceding [EXPIRATION DATE].

5. **Payment of Exercise Price.** You may pay the Exercise Price by cash, certified check, bank draft, wire transfer, postal or express money order, or any other alternative method specified in the Plan and expressly approved by the Committee. Notwithstanding the foregoing, you may not tender any form of payment that the Committee determines, in its sole and absolute discretion, could violate any law or regulation.

6. **Exercise of Option.** Subject to the terms and conditions of this Agreement, the Option may be exercised by contacting the Honeywell Stock Option Service Center, managed by Morgan Stanley Smith Barney, by telephone at 1-888-723-3391 or 1-210-677-3660, or on the internet at www.benefitaccess.com. If the Option is exercised after your death, the Company will deliver Shares only after the Committee has determined that the person exercising the Option is the duly appointed executor or administrator of your estate or the person to whom the Option has been transferred by your will or by the applicable laws of descent and distribution.

7. **Termination, Retirement, Disability or Death.** The Option will vest and remain exercisable as follows:

Event	Vesting	Exercise
Death	Immediate vesting as of death.	Expires earlier of (i) original expiration date, or (ii) 3 years after death.
Disability	Immediate vesting as of incurrence of Disability.	Expires earlier of (i) original expiration date, or (ii) 3 years after Disability.
Full Retirement (Voluntary Termination of Employment on or after age 60 and 10 Years of Service)	Unvested Awards forfeited as of Full Retirement.	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement. If you die prior to end of this 3-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Early Retirement (Termination of Employment because of retirement from active employment on or after age 55 and 10 Years of Service)	Unvested Awards forfeited as of Early Retirement.	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement. If you die prior to end of this 3-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Voluntary termination	Unvested Awards forfeited as of Termination of Employment.	Expires earlier of (i) original expiration date, or (ii) 30 days after termination. If you die prior to end of this 30- day period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Involuntary termination not for Cause	Unvested Awards forfeited as of Termination of Employment.	Expires earlier of (i) original expiration date, or (ii) 1 year after termination. If you die prior to end of this 1-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Involuntary termination for Cause	Unvested Awards forfeited as of Termination of Employment.	Vested Awards immediately cancelled.

Except as expressly provided herein, all rights hereunder shall cease to accrue as of the date of your termination of employment with the Company and its Affiliates. You will forfeit the unvested portion of any award and all rights to continue vesting in awards shall cease as of the date of Termination of Employment. Further, you will not be entitled to receive additional awards hereunder after Termination of Employment. For purposes of this Agreement, if your employment is terminated under circumstances that entitle you to severance benefits under a severance plan of the Company or an Affiliate in which you participate, "Termination of Employment" refers to the date immediately prior to the date severance benefits become payable under the terms of the severance plan. If your employment is terminated under any other circumstances and you are not entitled to severance benefits under a severance plan of the Company or an Affiliate, "Termination of Employment" refers to the last day you actively perform services for the Company and its Affiliates.

8. **Change in Control.** In the event of a Change in Control, any portion of the Option that has not vested as of the date of Change in Control will immediately become exercisable in full.

9. **Withholdings.** The Company or your local employer shall have the power and the right to deduct or withhold, or require you to remit to the Company or your local employer, an amount sufficient to satisfy taxes imposed under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gain taxes, transfer taxes, and social security contributions, and National Insurance Contributions, that are required by law to be withheld with respect to the grant of the Option, any exercise of the your rights under this Agreement, the sale of Shares acquired from the exercise of the Option, and/or payment of dividends on Shares acquired pursuant to the Option.

10. **Transfer of Option.** You may not transfer the Option or any interest in the Option except by will or the laws of descent and distribution or except as permitted by the Committee and as specified in the Plan.

11. **Requirements for and Forfeiture of Award.**

    a. **General.**

        1. For purposes of Section 11, the term "Honeywell" is defined as Honeywell International Inc. (a Delaware corporation having a place of business at Columbia Road and Park Avenue, Morris Township, Morris County, New Jersey), its predecessors, designees and successors, as well as its past, present and future operating companies, divisions, subsidiaries, affiliates and other business units, including businesses acquired by purchase of assets, stock, merger or otherwise.

        2. The Award is expressly contingent upon you agreeing to the restrictions and obligations contained in Section 11 and you expressly understand and agree that the Award is contingent upon you also executing a separate Honeywell International Inc. Noncompete Agreement For Senior Executives ("Noncompete Agreement"), if applicable, as more fully described in subsection 11.c. below. You further expressly understand, agree and acknowledge that the failure to agree to all of the terms and conditions of the Award, as set forth in this Agreement, or to execute and return the separate Noncompete Agreement, if applicable, on or before [DUE DATE], in the

form presented to you by the Company, shall result in the Award being cancelled, with no benefit to you.

b. **Nonsolicitation of Honeywell Employees and Customers, Suppliers, Business Partners and Vendors.**

1. You acknowledge that Honeywell has invested and will invest significant time and money to recruit and retain its employees. Therefore, recognizing that in the course of your employment you have obtained valuable information about employees of Honeywell, their respective talents and areas of expertise, you agree that during your employment and for a period of two (2) years following your Termination of Employment from Honeywell for any reason, you will not directly or indirectly, for your own account or for others, (i) solicit (or assist another in soliciting) for employment or for the performance of services, (ii) offer or cause to be offered employment or other service engagement, or (iii) participate in any manner in the employment or hiring for services, any individual previously employed by Honeywell with whom you had contact or of whom you became aware while employed by Honeywell during the two-year period prior to your Termination of Employment, unless such individual had not been employed by Honeywell for at least 12 months. Nor will you, for your own account or for others, in any way induce or attempt to induce such individual to leave the employment of Honeywell.

2. You acknowledge that Honeywell has invested and will continue to invest significant time and money to develop valuable, continuing relationships with existing and prospective clients and customers of Honeywell. Therefore, recognizing that in the course of your employment you have obtained valuable information about customers, suppliers, business partners, and/or vendors of Honeywell and their requirements, you agree that during your employment and for a period of two (2) years following your Termination of Employment from Honeywell for any reason, you will not, directly or indirectly, for your own account or for others, solicit (or assist others in soliciting) or attempt to solicit (or assist others in attempting to solicit), (i) any existing clients, customers, suppliers, business partners, and/or vendors of Honeywell with whom you had contact, or of whom you became aware while employed by Honeywell during the two-year period prior to your Termination of Employment, or (ii) any prospective clients, customers, suppliers, business partners, and/or vendors of Honeywell with whom you had contact and with whom Honeywell took significant steps to do business during the two-year period prior to your Termination of Employment, for the purpose of inducing such existing or prospective clients, customers, suppliers, business partners, and/or vendors to cease doing business or reduce their business with Honeywell or to purchase, lease, or utilize products or services that are competitive with, similar to, or that may be used as substitutes for any products or services offered by Honeywell.

c. **Noncompete Agreement.**

1. If you have been identified as an employee in a position that is subject to a Noncompete Agreement, you understand, acknowledge and agree that the Award is expressly contingent upon you executing and returning the separate Noncompete Agreement on or before [DUE DATE], in the form presented to you by the Company. Failure to execute and return the Noncompete Agreement on or before [DUE DATE], shall result in the cancellation of this Award, even if you have otherwise accepted and agreed to all of the other terms and conditions of the Award and the nonsolicitation provisions of this Section 11. You further understand and acknowledge that you must not violate the terms of the separate Noncompete Agreement and, if you do so, you will be subject to the remedies and forfeiture provisions of subsections 11.d.1. and 11.d.2.

2. The terms of this subsection 11.c.2. shall apply whether the Company has presented you with a Noncompete Agreement or not. You expressly agree and acknowledge that the forfeiture provisions of subsection 11.d.3. shall apply if, from the date of the grant of the Option until the date that is twenty-four (24) months after your Termination of Employment for any reason, you enter into an employment, consultation or similar agreement or arrangement (including any arrangement for service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in a business in which Honeywell is engaged if the business is competitive (in the sole judgment of the Committee) with Honeywell and the Committee has not approved the agreement or arrangement in writing.

d. **Remedies.**

1. You acknowledge that a remedy at law for any breach or threatened breach of subsections 11.b. or 11.c.1. of this Agreement would be inadequate, and you therefore agree that Honeywell shall be entitled to injunctive relief in case of any such breach or threatened breach. You acknowledge and agree that Honeywell may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of subsections 11.b. or 11.c.1. of this Agreement, and that money damages would not be an adequate remedy for any breach of subsections 11.b. or 11.c.1. of this Agreement. You acknowledge and agree that a violation of subsections 11.b. or 11.c.1. of this Agreement would cause irreparable harm to Honeywell, and you covenant that you will not assert in any proceeding that a violation or further violation of those subsections: (i) will not result in irreparable harm to Honeywell; or (ii) could be remedied adequately at law. Honeywell's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that you have breached or threatened to breach subsections 11.b. or 11.c.1. of this Agreement, you agree to reimburse Honeywell for all attorneys' fees and

costs incurred in enforcing such terms. However, nothing contained herein shall be construed as prohibiting Honeywell from pursuing any other available remedies, which may include, but not be limited to, contract damages, lost profits and punitive damages.

2. In addition to the relief described in subsection 11.d.1., if the Committee determines, in its sole judgment, that you have violated subsections 11.b. and/or 11.c.1., (i) any portion of the Option you have not exercised (whether vested or unvested) shall immediately be cancelled, and you shall forfeit any rights you have with respect to the Option as of the date of the Committee's determination, and (ii) you shall immediately deliver to the Company Shares equal in value to the amount of any profit you realized upon an exercise of the Option (regardless of when such exercise occurred).

3. If the Committee determines, in its sole judgment, that you have engaged in an act that violates subsection 11.c.2., (i) any portion of the Option you have not exercised (whether vested or unvested) shall immediately be cancelled, and you shall forfeit any rights you have with respect to the Option as of the date of the Committee's determination, and (ii) you shall immediately deliver to the Company Shares equal in value to the amount of any profit you realized upon an exercise of the Option during the period beginning six (6) months prior to your Termination of Employment and ending on the date of the Committee's determination.

4. Notwithstanding anything in the Plan or this Agreement to the contrary, you acknowledge that the Company may be entitled or required by law, Company policy or the requirements of an exchange on which the Shares are listed for trading, to recoup compensation paid to you pursuant to the Plan, and you agree to comply with any Company request or demand for recoupment.

12. **Adjustments.** Any adjustments to the Option will be governed by Section 5.3 of the Plan.

13. **Restrictions on Exercise.** Exercise of the Option is subject to the conditions that, to the extent required at the time of exercise, (i) the Shares covered by the Option will be duly listed, upon official notice of issuance, upon the NYSE, and (ii) a Registration Statement under the Securities Act of 1933 with respect to the Shares will be effective. The Company will not be required to deliver any Common Stock until all applicable federal and state laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel of the Company.

14. **Disposition of Securities.** By accepting the Award, you acknowledge that you have read and understand the Company's policy, and are aware of and understand your obligations under U.S. federal securities laws in respect of trading in the Company's securities, and you agree not to use the Company's "cashless exercise" program (or any successor program) at any time when you possess material nonpublic information with respect to the Company or when using the program would otherwise result in a violation of securities law. The Company will have the right to recover, or receive reimbursement for, any compensation or profit realized on the exercise of the Option or by the disposition of Shares received upon

exercise of the Option to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.

15. **Plan Terms Govern.** The exercise of the Option, the disposition of any Shares received upon exercise of the Option, and the treatment of any gain on the disposition of these Shares are subject to the terms of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Agreement. Capitalized terms used in this Agreement have the meaning set forth in the Plan, unless otherwise stated in this Agreement. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the Plan will control unless otherwise stated in this Agreement. By accepting the Award, you acknowledge receipt of the Plan and the prospectus, as in effect on the date of this Agreement.

16. **Personal Data.**

a. By entering into this Agreement, and as a condition of the grant of the Option, you expressly consent to the collection, use, and transfer of personal data as described in this Section to the full extent permitted by and in full compliance with applicable law.

b. You understand that your local employer holds, by means of an automated data file, certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares or directorships held in the Company, details of all options or other entitlement to shares awarded, canceled, exercised, vested, unvested, or outstanding in your favor, for the purpose of managing and administering the Plan ("Data").

c. You further understand that part or all of your Data may be also held by the Company or its Affiliates, pursuant to a transfer made in the past with your consent, in respect of any previous grant of options or awards, which was made for the same purposes of managing and administering of previous award/incentive plans, or for other purposes.

d. You further understand that your local employer will transfer Data to the Company or its Affiliates among themselves as necessary for the purposes of implementation, administration, and management of your participation in the Plan, and that the Company or its Affiliates may transfer data among themselves, and/or each, in turn, further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan ("Data Recipients").

e. You understand that the Company or its Affiliates, as well as the Data Recipients, are or may be located in your country of residence or elsewhere, such as the United States. You authorize the Company or its Affiliates, as well as the Data Recipients, to receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any transfer of such Data, as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf, to a broker or third party with whom the Shares may be deposited.

f. You understand that you may show your opposition to the processing and transfer of your Data, and, may at any time, review the Data, request that any necessary amendments be made to it, or withdraw your consent herein in writing by contacting the Company. You further understand that withdrawing consent may affect your ability to participate in the Plan.

17. **Discretionary Nature and Acceptance of Award.** By accepting this Award, you agree to be bound by the terms of this Agreement and acknowledge that:

a. The Company (and not your local employer) is granting your Option. Furthermore, this Agreement is not derived from any preexisting labor relationship between you and the Company, but rather from a mercantile relationship.

b. The Company may administer the Plan from outside your country of residence and United States law will govern all options granted under the Plan.

c. Benefits and rights provided under the Plan are wholly discretionary and, although provided by the Company, do not constitute regular or periodic payments.

d. The benefits and rights provided under the Plan are not to be considered part of your salary or compensation under your employment with your local employer for purposes of calculating any severance, resignation, redundancy or other end of service payments, vacation, bonuses, long-term service awards, indemnification, pension or retirement benefits, or any other payments, benefits or rights of any kind. You waive any and all rights to compensation or damages as a result of the termination of employment with your local employer for any reason whatsoever insofar as those rights result, or may result, from the loss or diminution in value of such rights under the Plan or your ceasing to have any rights under, or ceasing to be entitled to any rights under, the Plan as a result of such termination.

e. The grant of the Option hereunder, and any future grant of an option under the Plan, is entirely voluntary, and at the complete discretion of the Company. Neither the grant of the Option nor any future grant by the Company will be deemed to create any obligation to make any future grants, whether or not such a reservation is explicitly stated at the time of such a grant. The Company has the right, at any time and/or on an annual basis, to amend, suspend or terminate the Plan; provided, however, that no such amendment, suspension, or termination will adversely affect your rights hereunder.

f. The Plan will not be deemed to constitute, and will not be construed by you to constitute, part of the terms and conditions of employment. Neither the Company nor your local employer will incur any liability of any kind to you as a result of any change or amendment, or any cancellation, of the Plan at any time.

g. Participation in the Plan will not be deemed to constitute, and will not be deemed by you to constitute, an employment or labor relationship of any kind with the Company.

18. **Limitations.** Nothing in this Agreement or the Plan gives you any right to continue in the employ of the Company or any of its Affiliates or to interfere in any way with the right of the Company or any Affiliate to terminate your employment at any time. Payment of Shares is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of the Option. You have no rights as a shareowner of the Company pursuant to the Option until Shares are actually delivered you.

19. **Incorporation of Other Agreements.** This Agreement and the Plan constitute the entire understanding between you and the Company regarding the Option. This Agreement supersedes any prior agreements, commitments or negotiations concerning the Option.

20. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of the Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

21. **Governing Law**. The Plan, this Agreement (including but not limited to Section 11), and all determinations made and actions taken under the Plan or this Agreement shall be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable federal law.

22. **Acknowledgements.** By accepting this Agreement, you agree to the following: (a) you have carefully read, fully understand and agree to all of the terms and conditions described in this Agreement, the Plan, the Plan's prospectus and all accompanying documentation; and (b) you understand and agree that this Agreement, the Noncompete Agreement if applicable, and the Plan constitute the entire understanding between you and the Company regarding the Option, and that any prior agreements, commitments or negotiations concerning the Option are replaced and superseded.

23. **Deadline for Execution.** To retain the Option, you understand that you must sign and return this Agreement and, if applicable, the separate Noncompete Agreement, **on or before [DUE DATE]** in the form presented to you by the Company. If you do not sign and return both documents by [DUE DATE], the Option shall be cancelled and you shall receive no benefit from this Agreement. The executed Agreement must be returned to Honeywell International Inc., Executive Compensation/AB-1D, 101 Columbia Road, Morristown, NJ 07962. The executed Noncompete Agreement must be returned to [ADDRESS].

I Accept:

Signature Date

Exhibit 10.38

Honeywell

PRIVATE AND CONFIDENTIAL

September 3, 2009

Mr. Timothy Mahoney
16065 S 18th Way
Phoenix, AZ 85048

Dear Tim:

I am pleased to confirm your promotion to President and CEO, Honeywell Aerospace (Band 7), located in Phoenix, Arizona and reporting to David Cote, Chairman and CEO of Honeywell. The effective date of your promotion is September 3, 2009 ("Effective Date"), subject to the terms and conditions of this letter agreement ("Letter"). The terms of this Letter supersede any prior understandings, whether oral or written, incident to your employment with Honeywell.

COMPENSATION

In connection with your new role, Honeywell management has proposed the following compensation package, which has already been reviewed with the Chairman of the Management Development and Compensation Committee of Honeywell's Board of Directors ("MDCC"), but remains subject to final approval by the full MDCC at their September 25, 2009 meeting:

Base Salary: As of the Effective Date, your annual base salary will be increased to $660,000. Base salary reviews are conducted during the first quarter of each year and adjustments are based on your performance and other relevant factors.

Annual Incentive Compensation: As of the Effective Date, your target incentive compensation opportunity will be 80% of your annual cash base salary earnings during the year. Incentive compensation awards are paid in the first quarter of the following year (i.e., first quarter of 2010 for 2009 services). For calendar year 2009, your incentive compensation award will be determined using a target incentive opportunity of 60% for the portion of the year prior to the Effective Date and using a target incentive opportunity of 80% for the portion of the year after the Effective Date.

Long-Term Incentive Awards: You will be eligible for annual long-term incentive awards consisting of stock options, restricted stock units, or cash awards, or some combination thereof, as determined by the Company in its discretion. The actual grant sizes will be determined by your performance and future career potential with Honeywell. The terms of all long-term incentive awards are governed by the terms of the underlying stock plans and the relevant award agreements.

OTHER EXECUTIVE BENEFITS

You will also be entitled to the following Executive Benefits:

- *Vacation:* You will be eligible for 4 weeks of vacation.
- *Excess Liability Insurance:* Honeywell will pay the annual premium for an Excess Liability Insurance policy that provides $10,000,000 of coverage per occurrence.
- *Executive Severance:* You shall be covered by the Honeywell International Inc. Severance Plan for Senior Executives (the "Severance Plan"). In the event of your involuntary termination from the Company, your sole remedy for termination related pay shall be the Severance Plan, and you hereby acknowledge that you shall have no right to any other termination related pay, whether under this Letter, any other Company plan or agreement, or any statute or common law. By executing this Letter, you acknowledge the sufficiency of the benefits for termination pay under the Severance Plan.

STOCK OWNERSHIP GUIDELINES FOR HONEYWELL OFFICERS

As an Officer of the Corporation, you will be required to hold four-times your annual base salary in Honeywell shares in accordance with the Corporation's Stock Ownership Guidelines. The following table provides an overview of the Stock Ownership Guidelines. A copy of the Stock Ownership Guidelines policy document will be separately provided to you.

Honeywell Shares Counted for Ownership Purposes:	• Unvested restricted stock units (RSUs) • Deferred restricted stock units • Shares in tax qualified and non-qualified savings plans • Private holdings
Ownership Threshold:	• 4X base salary
Retention Requirements:	• Indefinite holding requirement until ownership threshold is met for net gain shares from RSU vesting, payment of deferred RSUs and all stock option exercises • One year for net gain shares from RSU vesting and all stock option exercises (Note: payment of deferred RSUs are exempt from the one year minimum hold requirement)
Time Limit:	• No time requirement to meet ownership threshold • Must meet threshold in order to sell stock • RSUs granted prior to 2/7/03 are not subject to retention requirements
Age/Service Limit:	• Suspended at age 60 with 10 years of service

ACCEPTANCE OF OFFER

As a condition of this employment offer, you are required to execute, in the form attached hereto, Honeywell's "Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information" and the related "Employee Non-Competition Agreement."

Honeywell has a long and distinguished history. But, more importantly, we are a company with a terrific future and a great place to work. Our performance culture drives growth for us and competitive advantage for our customers. We hire the best people; give them every possible opportunity to learn, grow, and develop; and reward them for their contributions. We offer career paths that span product lines, job types, businesses, and countries.

Tim, we are excited to be extending this offer to you and look forward to working with you in your expanded role. Your experience and background is an asset to our Company.

Finally, please print and sign this Agreement, the Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information and the Employee Non-Competition Agreement and return them to me at the address shown below.

If you have any questions or need any further information about our offer, please contact me directly.

Congratulations,

/s/ Mark James

Mark James
Senior Vice President—Human Resources and Communications
Honeywell International Inc.

P.O. Box 2245
101 Columbia Road
Morristown, New Jersey 07962-2245

Read and Accepted:

/s/ Timothy Mahoney	10/6/09
Timothy Mahoney	Date

cc: Dave Cote

HONEYWELL INTERNATIONAL INC.

Employee Agreement Relating to Trade Secrets,
Proprietary and Confidential Information

In consideration of my employment, continued employment, compensation and the equipment, materials, facilities and Honeywell's "Trade Secrets, Proprietary and Confidential Information" (as hereinafter defined) supplied to me, I understand and agree that:

1. **Records of Inventions.** I will keep complete and current written records of all Inventions I Make during the period of time I am employed by Honeywell and promptly disclose all such Inventions in writing to Honeywell for the purpose of adequately determining Honeywell's rights in each such Invention. I will supplement any such disclosures to the extent Honeywell may request that I do so. If I have any doubt as to whether or not to disclose an Invention to Honeywell, I will disclose it.

2. **Disclosure of Inventions after Termination.** I will promptly and completely disclose in writing to Honeywell's Law Department all Inventions which I Make during the one year immediately following the end of my employment by Honeywell which relate either to my work assignment at Honeywell or to Honeywell's Trade Secrets, Proprietary and Confidential Information for the purpose of determining Honeywell's rights in each such Invention. I will not file any patent application relating to any such Invention without the prior written consent of Honeywell's Law Department. If I do not prove that I Made the Invention entirely after leaving Honeywell's employment, the Invention is presumed to have been Made during the period of time I was employed by Honeywell. I acknowledge that the conditions of this paragraph are no greater than is necessary for protecting Honeywell's interests in Honeywell's Trade Secrets, Proprietary and Confidential Information and in Inventions to which it is rightfully entitled.

3. **Ownership of Inventions.** Each and every Invention I Make during the period of time I am employed by Honeywell (a) which relates directly to the business of Honeywell or to Honeywell's actual or demonstrably anticipated research or development, or (b) which results from any work I perform for Honeywell is the sole and exclusive property of Honeywell, and I agree to assign and hereby assign my entire right, title and interest in each such Invention to Honeywell. Each Invention I Make during the period of time I am employed by Honeywell for which no equipment, supplies, facilities or Honeywell Trade Secrets, Proprietary or Confidential Information was used and which was developed entirely on my own time is my property, unless (a) the Invention relates directly to the business of Honeywell or to Honeywell's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by me for Honeywell. If I assert any property right in an Invention I Make during the period of time I am employed by Honeywell, I will promptly notify Honeywell's Law Department in writing.

4. **Cooperation with Honeywell.** I will assist and fully cooperate with Honeywell in obtaining, maintaining, and asserting the fullest measure of legal protection, which

Honeywell elects to obtain, maintain or assert for Inventions in which it has a property right. I will also assist and fully cooperate with Honeywell in defending Honeywell against claims of violation of the intellectual property rights of others. I will be paid my reasonable expenses in assisting, and cooperating with, Honeywell. I will execute any lawful document Honeywell requests me to execute relating to obtaining, maintaining, or asserting legal protection for any said Invention or in defending against claims of the violation of the intellectual property rights of others (including, but no limited to, executing applications, assignments, oaths, declarations, and affidavits) and I will make myself available for interviews, depositions and testimony. *In the event that Honeywell is unable, after reasonable effort, to secure my signature on any document or documents needed to apply for or* prosecute any patent, copyright, or other right or protection relating to an Invention, for any other reason whatsoever, I hereby irrevocably designate and appoint Honeywell and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf to execute and file any such application or applications, and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or similar protections thereon with the same legal force and effect as if executed by me.

5. **Pre-employment Inventions.** On Schedule A, which is an integral part of this agreement, I have completely identified (without disclosing any trade secret, proprietary or other confidential information) every Invention I Made before my employment by Honeywell in which I have an ownership interest and which is not the subject matter of an issued patent or a printed publication at the time I sign this agreement. If I become aware of any projected or actual use of any such Invention by Honeywell, I will promptly notify Honeywell in writing of said use. Except as to the Inventions listed on Schedule A or those which are the subject matter of an issued patent or a printed publication at the time I sign this agreement, I will not assert any rights against Honeywell with respect to any Invention Made before my employment by Honeywell.

6. **Honeywell's Trade Secrets, Proprietary and Confidential Information.** I will never, directly or indirectly, use Honeywell's Trade Secrets, Proprietary and Confidential Information except in furthering Honeywell's business nor will I disclose or disseminate Honeywell's Trade Secrets, Proprietary and Confidential Information to anyone who is not an officer, director, employee, attorney or authorized agent of Honeywell without the prior written consent of Honeywell's Law Department unless the specific item of Honeywell's Trade Secrets, Proprietary and Confidential Information: (a) is now in, or hereafter, (through no breach of this agreement) becomes general public knowledge, or (b) prior to my disclosure, dissemination or use, was lawfully acquired by me without any obligation to retain the information in confidence. In this connection, I will not publish any of Honeywell's Trade Secrets, Proprietary and Confidential Information for dissemination outside Honeywell or file any patent application relating to any Invention I Make during the period of time I am employed by Honeywell without the prior written approval of Honeywell's Law Department. I will execute any agreement relating to the protection of Honeywell's Trade Secrets, Proprietary and Confidential Information or such information of any third party whose intellectual property Honeywell is under a legal obligation to protect if Honeywell requests that I do so. I will not engage without the prior

written consent of Honeywell's Law Department, either during the period of time I am employed by Honeywell or for a period of two years after that employment, in any activity or employment in the faithful performance of which it could be reasonably anticipated that I would use or disclose Honeywell's Trade Secrets, Proprietary and Confidential Information. All documents and tangible things embodying or containing Honeywell's Trade Secrets, Proprietary and Confidential Information are Honeywell's exclusive property. I have access to them solely for performing the duties of my employment by Honeywell. I will protect the confidentiality of their content and comply with all security policies and procedures, which may, from time to time, be established by Honeywell. I will return all of them and all copies, facsimiles and specimens of them and any other tangible forms of Honeywell's Trade Secrets, Proprietary and Confidential Information in my possession, custody or control to Honeywell before leaving the employment of Honeywell.

I understand that I have the right to use or practice any skill or expertise generally associated with my employment but not special or unique to Honeywell, but that I do not have the right to use, practice or disclose Honeywell's Trade Secrets, Proprietary and Confidential Information for my own benefit or for the benefit of any third party.

7. **Trade Secrets, Proprietary or Confidential Information from Previous Employment.** I certify that I have not, and will not, disclose or use during my employment by Honeywell, any trade secrets, proprietary or confidential information which I acquired as a result of any previous employment or under a contractual obligation of confidentiality before my employment by Honeywell. I understand that Honeywell has no interest in and will not accept disclosure by me of any trade secrets, proprietary or confidential information, which belongs to a third party. If I am ever placed in a position where I will be required or am given an assignment that will require me to use, directly or indirectly, any trade secrets, proprietary or confidential information of any person, previous employer or any third party, I will promptly inform Honeywell's Law Department and my supervisor before I undertake any activity that would involve the use or disclosure of such information or present the appearance to any such third party that I have used or disclosed such information. If I fail to do so, Honeywell may elect not to indemnify me in the event of litigation and may take such other actions, as it deems appropriate, up to and including termination of my employment.

8. **Prior Restrictive Obligation.** On Schedule B, which is an integral part of this agreement, I have completely identified all prior obligations (written and oral), which restrict my ability to perform the duties of my employment by Honeywell, including all confidentiality agreements and covenants restricting future employment.

9. **Non-Solicitation of Honeywell Employees.** I acknowledge that Honeywell has invested and will invest significant time and money to recruit and retain its employees. Therefore, recognizing that in the course of my employment I have obtained valuable information about Honeywell employees, their respective talents and areas of expertise, I agree that for a period of two (2) years following my termination of employment from Honeywell for any reason, I will not directly or indirectly, cause any individual previously

employed by Honeywell to be employed by, or participate in any manner in the employment of any such individual by, any person or entity other than Honeywell unless such individual had not been employed by Honeywell for at least 12 months or in any way induce or attempt to induce such individual to leave the employment of Honeywell.

10. **Non-Solicitation of Honeywell Customers.** I acknowledge that Honeywell has invested and will continue to invest significant time and money to develop valuable, continuing relationships with existing and prospective clients and customers of Honeywell. Therefore, recognizing that in the course of my employment I have obtained valuable information about Honeywell customers and their requirements, I agree that, for a period of two (2) years following my termination of employment from Honeywell for any reason, I will not solicit or attempt to solicit, directly or indirectly, for my own account or for others, any existing clients or customers of Honeywell with whom I had contact or of whom I became aware while employed by Honeywell during the two year period prior to my termination, or any prospective clients or customers of Honeywell with whom I had contact and with whom the company took significant steps to do business during the two year period prior to my termination, for the purpose of inducing such clients or customers to cease doing business with Honeywell or to purchase, lease or utilize products or services which are competitive with, are similar to, or which may be used as substitutes for any products or services offered by Honeywell.

11. ***Notice to Future Employers.*** *For the period of two years immediately following the end of my employment by Honeywell, I will inform each new* employer, prior to accepting employment, of the existence of this agreement and provide that employer with a copy of it. Honeywell has the right to inform any future employer of the existence of this agreement and to provide any future employers with a copy of it.

12. **Copyright.** As to all works prepared by me which are: (i) within the scope of my employment, or (ii) based upon information I acquired from Honeywell which is not normally made available to the public; or (iii) commissioned by Honeywell, but not within my scope of employment, I hereby agree to:

    (a) Submit to Honeywell's Law Department and to my supervisor for approval for publication or oral dissemination;

    (b) Assign all right, title and interest in and to the copyright in all such works to Honeywell; and

    (c) Waive any claim of moral rights, author's rights, droit moral, or any equivalent rights to the extent necessary or permitted by law.

    I hereby release and allow Honeywell to use, for any lawful purpose, any voice reproduction, photograph, or other video likeness of me made in the course of my employment.

13. ***Acknowledgement of Receipt.*** *I acknowledge that I have received a copy of this agreement*

prior to accepting employment or continued employment with Honeywell and that execution of this agreement was an express condition of my employment or continued employment.

14. **Effectiveness of Agreement.** This agreement becomes effective when I sign it, my obligations under it continue throughout the entire period of time I am employed by Honeywell, without regard to the business organization within Honeywell with which I am associated and these obligations will continue after, and survive, the end of my employment by Honeywell. This agreement replaces previous agreements relating to the subject matter of this agreement and shall be deemed effective as of the first day of my employment by Honeywell just as though I had executed this agreement on that first day except that such replacement shall not affect rights and obligations of me or Honeywell arising out of any such prior agreement, which rights and obligations shall continue to be in effect.

15. **Identity of Future Employer.** Upon termination of my employment for any reason, if reasonably requested by Honeywell, I shall advise Honeywell of the name and address of my intended future employer.

16. **Remedies.** I acknowledge that a remedy at law for any breach or threatened breach of the provisions of this Agreement would be inadequate and therefore agree that Honeywell shall be entitled to injunctive relief in case of any such breach or threatened breach. In the event that a court determines that I have breached or threatened to breach this agreement, I agree to reimburse Honeywell for all attorneys' fees and costs incurred in enforcing the terms of the agreement. However, nothing contained herein shall be construed as prohibiting Honeywell from pursuing any other remedies available for any such breach or threatened breach against me or my then-current employer which may also include but not be limited to contract damages, lost profits and punitive damages.

17. **Successors; Binding Agreement.** This agreement binds my heirs, executors, administrators, legal representatives and assigns and inures to the benefit of Honeywell and its successors and assigns. Only a written amendment executed by both Honeywell and me can modify this agreement.

18. **Governing Law.** This agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without regard to its principles of conflicts of law.

19. **Validity.** It is the desire and intent of the parties hereto that the provisions of this agreement shall be enforced to the fullest extent legally-permissible. Accordingly, if any particular provision(s) of this agreement shall be adjudicated to be invalid or unenforceable, the court may modify or sever such provision(s), such modification or deletion to apply only with respect to the operation of such provision(s) in the particular jurisdiction in which such adjudication is made. In addition, if any one or more of the provisions contained in this agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear. The remaining provisions of this agreement shall remain in full force and effect.

20. Definitions

(a) "Honeywell" collectively identifies Honeywell International Inc. (a Delaware corporation having a place of business at Columbia Road and Park Avenue, Morris Township, Morris County, New Jersey), its predecessors, designees and successors and its past, present and future operating companies, divisions, subsidiaries, affiliates and other business units, including businesses acquired by purchase of stock, merger or otherwise;

(b) "Trade Secrets, Proprietary and Confidential Information" means information which is not generally known in the industry in which Honeywell is engaged, which may be disclosed to me or which I may learn, observe, discover or otherwise acquire during, or as a result of, my employment by Honeywell and which includes, without limitation, any information, whether patentable, patented or not, relating to any existing or contemplated products, inventions, services, technology, concepts, designs, patterns, processes, compounds, formulae, programs, devices, tools, compilations of information, methods, techniques, and including information relating to any research, development, manufacture, purchasing, engineering, know-how, business plans, sales or market methods, methods of doing business, customer lists, customer usages or requirements, or supplier information, which is owned or licensed by Honeywell or held by Honeywell in confidence.

(c) "Invention" includes not only inventions (whether or not patentable), but also innovations, improvements, discoveries, ideas and all other forms of intellectual property (including, but not limited to, copyright works and mask works) — whether or not any of the foregoing constitutes trade secret or other confidential information; and

(d) "Make" or "Made" when used in relation to Invention includes any one or any combination of (i) conception, (ii) reduction to practice or (iii) development of an Invention and is without regard to whether I am a sole or joint inventor.

21. Headings Descriptive. The headings of the several paragraphs of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of this Agreement.

Timothy Mahoney	10/06/09	/s/ Timothy Mahoney
Timothy Mahoney	Date	Employee Signature

SCHEDULE A

INVENTIONS I MADE BEFORE THE TERM OF MY EMPLOYMENT BY HONEYWELL IN WHICH I HAVE AN OWNERSHIP INTEREST WHICH ARE NOT THE SUBJECT MATTER OF ISSUED PATENTS OR PRINTED PUBLICATIONS:

(If there are none, please enter the word "NONE")

NOTE: Please describe each such Invention without disclosing trade secrets, proprietary or confidential information.

[Attach additional sheets if more space is needed.]

SCHEDULE B

RESTRICTIVE WRITTEN AND ORAL OBLIGATIONS:

(If there are none, please enter the word "NONE")

NOTE: Please give date of, and parties to, obligations and the nature and substance of the restriction.

[Attach additional sheets if more space is needed.]

HONEYWELL INTERNATIONAL INC.
Employee Non-Competition Agreement

In consideration of my employment, continued employment, compensation and post- termination benefits, I agree that for a period of one (1) year following my termination of employment with Honeywell for any reason, I will not, without the written consent of Honeywell, directly or indirectly, engage or be interested in (without any geographic restrictions or limitations), as owner, partner, shareholder, employee, director, officer, agent, consultant or otherwise, directly or indirectly, with or without compensation, any Competing Business or assist any Competing Business.

For purposes of this Agreement, "Competing Business" shall mean any business engaged in the research, development, manufacture or sales of products or systems serving Aerospace Commercial, Defense, or Space, original equipment manufacturers or suppliers, the Aerospace aftermarket or Aerospace services. Without limiting the foregoing in any way, and to avoid doubt, Competing Business shall specifically include each of the following entities, brand owners (or their respective licensees) and their subsidiaries and affiliates (including any successors thereto): Rockwell Collins, Inc., GE Co., Pratt Whitney/Sundstrand United Technologies Corp UTC, Rolls-Royce PLC, The Boeing Company, Airbus Operations S.A.S., General Dynamics Corp; General Dynamics Land Systems, Inc., Lockheed Martin Corp; Lockheed Martin Aeronautics Co,. Northrop Grumman Corp, Lufthansa Technik AG, BBA Aviation PLC, Garmin Ltd., Dubai Aerospace Enterprise DAE, Thales Group, Raytheon Company and Williams International Co., LLC. Nothing herein, however, shall prohibit me from acquiring or holding not more than one percent (1%) of any class of publicly traded securities of any such business; provided that such securities entitle me to no more than one percent (1%) of the total outstanding votes entitled to be cast by security holders of such business in matters on which such security holders are entitled to vote.

In the event any of the foregoing covenants shall be determined by any court of competent jurisdiction to be unenforceable by reason of extending for too great a period of time, over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

I agree that the Company's remedies at law would be inadequate in the event of a breach or threatened breach of this Non-Competition Agreement; accordingly, the Company shall be entitled, in addition to its rights at law, to seek an injunction or other equitable relief without the need to post a bond.

This Agreement should be read in concert with the Honeywell International Inc. Employee Agreement Relating to Trade Secrets, Proprietary and Confidential Information and is not meant to conflict with or supersede that Agreement.

I acknowledge that I have read this Agreement. I understand that to the extent applicable, it remains in effect following the termination of my employment. This Agreement may be amended only by a written agreement signed by both parties.

/s/ Timothy Mahoney	10/6/09
Timothy Mahoney	Date

This Agreement was signed in consideration of my employment, continued employment, compensation and post-termination benefits, as well as other good and valuable consideration.

Exhibit 10.39

HONEYWELL INTERNATIONAL INC.
NONCOMPETE AGREEMENT FOR SENIOR EXECUTIVES

In consideration of benefits more fully described in the Stock Option Award Agreement [and Restricted Unit Agreement] provided to me in [YEAR] under the [PLAN NAME] ("Annual Equity Grant"), my employment, continued employment, compensation and the equipment, materials, facilities and the Trade Secrets, Proprietary and Confidential Information supplied to me, I agree to the following:

1. Noncompetition. I acknowledge that in the course of my employment with or provision of services to Honeywell, I have and will become familiar with Trade Secrets, Proprietary and Confidential Information concerning Honeywell, its businesses and employees, including but not limited to, Honeywell's business methods, business systems, strategic plans, plans for acquisition or disposition of products, expansion plans, financial status and plans, financial data, customer lists and data, and personnel information. I understand and agree that as part of my continued employment with Honeywell, I will continue to have access to and receive Trade Secrets, Proprietary and Confidential Information concerning Honeywell. I further acknowledge that Honeywell operates in a very competitive business environment and my services are and will be of special, unique and extraordinary value to Honeywell. I further acknowledge that I have been given and will continue to be given access to, and develop relationships with, customers of the Company at the time and expense of the Company and have and will continue to receive training, experience and expertise from Honeywell that make my services of special, unique and extraordinary value to Honeywell. I further acknowledge and agree that I will not, directly or indirectly, at any time during or after my employment with Honeywell, except in the course of performing my duties at Honeywell, disclose, disseminate, make available or use Honeywell's Trade Secrets, Proprietary and Confidential Information.

I agree that, during my employment and for a period of [NUMBER] year(s) following my Termination of Employment with Honeywell for any reason, I will not become employed by, perform services for, or otherwise become associated with (as an employee, officer, director, principal, agent, manager, partner, co-partner or consultant or any other individual or representative role) a Competing Business (as defined below). This restriction shall apply to any Competing Business that conducts business in the same or substantially similar geographic area in which any Honeywell business, for which I was employed or performed services in a job covered by this Program during the Look Back Period, conducts business or plans to conduct business as of my Termination of Employment. I acknowledge (i) that Honeywell's business is conducted throughout the United States and around the world, (ii) notwithstanding the state of incorporation or principal office of Honeywell, it is expected that Honeywell will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of my responsibilities, I may be conducting business throughout the United States and around the world in furtherance of Honeywell's business and its relationships.

A "Competing Business" shall mean any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization, that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by any Honeywell business for which I (A) was employed or performed services in a job covered by this Program, or (B) had knowledge of operations over the Look Back Period, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for, or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by any Honeywell business for which I (X) was employed or performed services in a job covered by this Program, or (Y) had knowledge of operations during the Look Back Period. I acknowledge that I will be deemed to have knowledge of a business if I received, was in possession of or otherwise had access to Trade Secrets, Proprietary and Confidential Information regarding such business. For purposes of illustration only, I acknowledge and understand that each of the corporations or entities (and any related entities, subsidiaries, affiliates or successors) set forth on the Addendum attached hereto is a Competing Business as of the date hereof. I further acknowledge and agree that the Addendum attached hereto is not an exhaustive list and is not intended to include all of Honeywell's current or future competitors, which I acknowledge may include other persons or entities in the future. I further acknowledge and understand that if I have any questions about whether any prior Honeywell position which I have held over the last two years is subject to this Program and shall be used to identify Competing Businesses, I should contact my Human Resource representative.

Honeywell recognizes that some businesses, persons, entities, or group of businesses that are Competing Businesses as defined above may also have lines of business or parts of their business that do not compete with Honeywell as defined above, and the restrictions contained herein are not intended to include such lines of business or parts of their businesses. I understand and agree that if I intend to become employed by, perform services for, or otherwise become associated with (as an employee, officer, director, principal, agent, manager, partner, co-partner or consultant or any other individual or representative role) a Competing Business as defined above, it is presumed that the restriction contained herein applies. I further understand and agree that if I do not believe the restriction contained herein should apply, I must demonstrate to Honeywell that I will only be employed by, perform services for, or otherwise become associated with (as an employee, officer, director, principal, agent, manager, partner, co-partner or consultant or any other individual or representative role) a line of business in, or part of, a Competing Business that does not compete with Honeywell as defined above.

2. Reasonableness of Restrictions and Validity. I agree that the terms of this Agreement are reasonable and do not impose a greater restraint than necessary to protect Honeywell's legitimate protectable business interests, including the protection of its Trade Secrets, Proprietary and Confidential Information. It is the desire and intent of the parties hereto that the provisions of this Agreement shall be enforced to the fullest extent legally-permissible. Accordingly, if any particular provision(s) of this Agreement shall be adjudicated to be overbroad, invalid or unenforceable, the court may modify or sever such provision(s), such modification or deletion to apply only with respect to the operation of such provision(s) in the particular jurisdiction in which such adjudication is made. In addition, if any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it so as to be enforceable to the extent compatible with the applicable law as it shall then appear. The remaining provisions of this Agreement shall remain in full force and effect. I also agree that the parties shall request that a court of competent jurisdiction not invalidate or ignore the terms of this Agreement, but instead honor this provision by reforming or modifying any overbroad or otherwise invalid terms to the extent necessary to render the terms valid and enforceable and then enforcing the Agreement as so reformed or modified.

3. Remedies. I acknowledge that a remedy at law for any breach or threatened breach of the provisions of this Agreement would be inadequate and therefore agree that Honeywell shall be entitled to injunctive relief in case of any such breach or threatened breach. I acknowledge and agree Honeywell may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement, and that money damages would not be an adequate remedy for any breach of the provisions of this Agreement. I acknowledge and agree that a violation of this Agreement would cause irreparable harm to Honeywell, and I covenant that I will not assert in any proceeding that a violation or further violation of this Agreement: (i) will not result in irreparable harm to Honeywell; or (ii) could be remedied adequately at law. Honeywell's right to injunctive relief shall be cumulative and in addition to any other remedies available at law or equity. In the event that a court determines that I have breached or threatened to breach this Agreement, I agree to reimburse Honeywell for all attorneys' fees and costs incurred in enforcing the terms of this Agreement. However, nothing contained herein shall be construed as prohibiting Honeywell from pursuing any other remedies available for any such breach or threatened breach against me or my new employer, which may also include, but not be limited to, contract damages, lost profits and punitive damages.

4. Harm and Injunctive Relief. I agree and acknowledge that the restrictions contained in this Agreement do not preclude me from earning a livelihood, nor do they unreasonably impose limitations on my ability to earn a living. I further agree and acknowledge that the potential harm to Honeywell of the non-enforcement of this Agreement outweighs any potential harm to me from its enforcement by injunction or otherwise. I acknowledge that I have carefully read this Agreement and have given careful consideration to the restraints imposed upon me by this Agreement, and am in full accord as to their necessity for the reasonable and proper protection of Honeywell's legitimate protectable business interests, including the protection of its Trade Secrets, Proprietary and Confidential Information. I agree and acknowledge that I have been provided adequate and reasonable consideration in exchange for the obligations under this Agreement, including employment or continued employment by Honeywell, goodwill, access or continued access to Honeywell's Trade Secrets, Proprietary and Confidential Information, access or continued access to customers, and additional good and valuable consideration, including the Annual Equity Grant. I expressly acknowledge and agree that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, duration and geographical scope.

5. Binding Agreement, Amendment, Successors. I acknowledge that the provisions of this Agreement are in addition to, and in no way intended to limit, restrict or narrow any prior or existing employment or other agreement with Honeywell. This Agreement does not replace or supersede any prior or existing employment or other agreement with Honeywell, but rather, shall be read in conjunction with such prior or existing agreements and shall be interpreted in a manner to provide Honeywell the maximum protection provided by all agreements I have with Honeywell. The terms of the restriction in Paragraph 1 and the other terms in this Agreement are to be read consistent with the terms of any other noncompete or other agreements that I have executed with Honeywell; provided, however, to the extent there is a conflict between/among such agreements, such agreements shall be construed as providing the broadest possible protections to Honeywell, even if such construction would require provisions of more than one such agreement to be given effect. No waiver of this Agreement will be effective unless it is in writing and signed by Honeywell's Senior Vice President for Human Resources and Communications or his/her designee. This Agreement may not be superseded or amended by any other agreement between myself and Honeywell unless such agreement specifically and expressly states that it is intended to supersede this Agreement and is executed by Honeywell's Senior Vice President for Human Resources and Communications or his/her designee. This Agreement binds my heirs, executors, administrators, legal representatives and assigns and inures to the benefit of Honeywell and its successors and assigns.

6. Acknowledgement of Receipt. I acknowledge that I received a copy of this Agreement prior to accepting the Annual Equity Grant and that execution of this Agreement was an express condition of my being provided and keeping the awards and benefits contained within the Annual Equity Grant.

7. Effectiveness of Agreement. This Agreement becomes effective when I sign it, the obligations under it continue throughout the entire period of time I am employed by Honeywell, without regard to the business within Honeywell with which I am associated and these obligations will continue after, and survive, the end of my employment with Honeywell. The executed copy of this Agreement should be returned by mailing or emailing a signed copy of the Agreement to [ADDRESS].

8. Notice to Future Employers. For the period of [NUMBER] year(s) immediately following the end of my employment with Honeywell, I will inform each new employer, prior to accepting employment, of the existence of this Agreement and provide that employer with a copy of it. Honeywell has the right to inform any future employer of the existence of this Agreement and to provide any future employers with a copy of it.

9. Governing Law and Venue. This agreement shall be governed by and construed in accordance with the laws of the State of New Jersey without regard to its principles of conflicts of law. I hereby consent to the exclusive jurisdiction and venue in the federal and state courts of the State of New Jersey, Morris County, for the resolution of all disputes arising under, or relating to, this Agreement.

10. Additional Definitions.

"Honeywell" collectively identifies Honeywell International Inc. (a Delaware corporation having a place of business at Columbia Road and Park Avenue, Morris Township, Morris County, New Jersey), its predecessors, designees and successors and its past, present and future operating companies, divisions, subsidiaries, affiliates and other business units, including businesses acquired by purchase of assets, stock, merger or otherwise.

"Look Back Period" means the two (2) year period ending on the date of my Termination of Employment.

"Program" refers to the noncompete initiative implemented by Honeywell requiring that employees occupying certain jobs in Salary Bands 5 - 7 execute this Noncompete Agreement as full or partial consideration of their Annual Equity Grant.

"Trade Secrets, Proprietary and Confidential Information" means information which is not generally known in the industry in which Honeywell is engaged, which may be disclosed to me or which I may learn, observe, discover or otherwise acquire during, or as a result of, my employment by Honeywell and which includes, without limitation, any information, whether patentable, patented or not, relating to any existing or contemplated products, inventions, services, technology, ideas, concepts, designs, patterns, processes, compounds, formulae, programs, devices, tools, compilations of information, methods, techniques, and including information relating to any research, development, manufacture, purchasing, engineering, know-how, business plans, sales or market methods, methods of doing business, business systems, strategic plans, plans for acquisition or disposition of products, expansion plans, financial status and plans, financial data, personnel information, customer lists or data, customer usages or requirements, or supplier information, which is owned or licensed by Honeywell or held by Honeywell in confidence.

"Termination of Employment" means any separation from employment with Honeywell regardless of the reason, including any and all voluntary and involuntary reasons for termination. The termination date for purposes of this Agreement shall be the last day I actively perform services for Honeywell.

11. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of this Agreement.

I have carefully read this Agreement. I understand and accept its terms. I understand and agree that I will continue to be bound by the provisions of this Agreement after my employment with Honeywell has ended.

Signature

Date:

Honeywell Executive Printed Name

ADDENDUM TO
HONEYWELL INTERNATIONAL INC.
NONCOMPETE AGREEMENT FOR SENIOR EXECUTIVES

[*EMPLOYEE NAME*]
EMPLOYED AS *[POSITION]*

Pursuant to Paragraph 1 of your Honeywell International Inc. Noncompete Agreement for Senior Executives ("Noncompete Agreement"), this Addendum contains a list, for illustration purposes only, of specific competitors that are considered a "Competing Business," as that term is used in your Noncompete Agreement, and are therefore covered by the restrictions contained in Paragraph 1 of your Noncompete Agreement. This list is not an exhaustive list and is not intended to include all of Honeywell's, or your specific business' or unit's, current or future competitors, which you acknowledge in Paragraph 1 of your Noncompete Agreement may include other persons or entities now or in the future.

Based on your current role and responsibilities with Honeywell as **[POSITION]**, the following companies are considered key competitors to the **[BUSINESS NAME]**, and therefore, fall within the definition of a Competing Business as that term is used in your Noncompete Agreement:

[COMPETITORS]

As previously noted, this is not an exhaustive list and there may be other current and future persons or entities that would meet the definition of a Competing Business, as set forth in your Noncompete Agreement. In addition, pursuant to Paragraph 1 of your Noncompete Agreement, please note that the term Competing Business, as defined in your Noncompete Agreement, will include competitors of any Honeywell business in which you have worked in a job subject to the Program (as defined in your Noncompete Agreement) during the Look Back Period (as defined in your Noncompete Agreement). Accordingly, if you worked in multiple Honeywell businesses in covered positions during your tenure, it is very likely that the list of Competing Businesses subject to restriction under the terms of your Noncompete Agreement will be broader than the above illustrative list. If you have questions about whether any prior Honeywell position which you have held during the Look Back Period subjects you to similar restrictions, and will be used to identify Competing Business(es), you should contact your Human Resource representative.

EXHIBIT 12

HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	2010	2009	2008	2007	2006
Determination of Earnings:					
Income before taxes	$ 2,843	$ 2,049	$ 600	$ 3,576	$ 3,148
Add (Deduct):					
Amortization of capitalized interest	21	21	22	22	22
Fixed charges	451	540	542	543	488
Equity income, net of distributions	(30)	(26)	(63)	(10)	(7)
Total earnings, as defined	$ 3,285	$ 2,584	$ 1,101	$ 4,131	$ 3,651
Fixed Charges:					
Rents[(a)]	$ 65	$ 81	$ 86	$ 87	$ 114
Interest and other financial charges	386	459	456	456	374
	451	540	542	543	488
Capitalized interest	16	15	26	22	22
Total fixed charges	$ 467	$ 555	$ 568	$ 565	$ 510
Ratio of Earnings to Fixed Charges	**7.03**	**4.66**	**1.94**	**7.31**	**7.16**

(a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

EXHIBIT 18

LETTER ON CHANGE IN ACCOUNTING PRINCIPLES

February 11, 2011

Board of Directors
Honeywell International Inc.
101 Columbia Road
Morristown, NJ 07962

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-K filing pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and issued our report thereon dated February 11, 2011. As discussed further in Note 1 to the consolidated financial statements, the Company changed its method of accounting for pension costs.

As a result of the accounting change, changes in the market-related value of pension assets and actuarial gains and losses which are in excess of the corridor will be recognized on a more accelerated basis. It should be understood that the preferability of one acceptable method of accounting over another for pension costs has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-K, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, the adoption of a preferable accounting principle in conformity with Accounting Standards Codification 250, *Accounting Changes and Error Corrections*.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

EXHIBIT 21

HONEYWELL INTERNATIONAL INC.
SUBSIDIARIES OF THE REGISTRANT

Name	Country or State of Incorporation	Percent Ownership
ADI-Gardiner Holding Ltd.	United Kingdom	100%
AlliedSignal Aerospace Service Corporation	Delaware	100%
Alsip Packaging, Inc.	Delaware	100%
Grimes Aerospace Company	Delaware	100%
Hand Held Products, Inc.	Delaware	100%
Honeywell (China) Co., Ltd.	China	100%
Honeywell Aerospace GmbH	Germany	100%
Honeywell ASCa Inc.	Canada	100%
Honeywell Automation India Limited	India	81%
Honeywell Automotive Parts Services (Shanghai) Co., Ltd.	China	100%
Honeywell Avionics Systems Limited	United Kingdom	100%
Honeywell Co., Ltd.	Korea	100%
Honeywell Control systems Limited	United Kingdom	100%
Honeywell Deutschland GmbH	Germany	100%
Honeywell Electronic Materials, Inc.	Washington	100%
Honeywell Europe NV	Belgium	100%
Honeywell Finance LP	Delaware	100%
Honeywell Garrett S.A.	France	100%
Honeywell Holdings Pty. Ltd.	Australia	100%
Honeywell International SarL	Switzerland	100%
Honeywell Japan Inc.	Japan	100%
Honeywell Korea, Ltd.	Korea	100%
Honeywell Limited Honeywell Limitee	Canada	100%
Honeywell Luxembourg Holding S.a.r.l.	Luxemborg	100%
Honeywell Pte. Ltd.	Singapore	100%
Honeywell Specialty Chemicals Seelze GmbH	Germany	100%
Honeywell spol. sr.o.	Czech Republic	100%
Honeywell Technologies Sarl	Switzerland	100%
Honeywell Technology Solutions Inc.	Delaware	100%
Honeywell Technology Solutions Lab Pvt. Ltd.	India	100%
Honeywell UK Limited	United Kingdom	100%
Life Safety Distribution AG	Switzerland	100%
Maxon Corporation	Indiana	100%
Metrologic Instruments Inc.	New Jersey	100%
Norcross Safety Products L.L.C.	Delaware	100%
Novar ED&S Limited	United Kingdom	100%
Sperian Protection Europe SAS	France	100%
UOP LLC	Delaware	100%

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No.033-55425, 333-22355, 333-101455 and 333-165036), Form S-8 (No. 033-51455, 033-58347, 333-57515, 333-57517, 333-57519, 333-83511, 333-49280, 333-57868, 333-105065, 333-108461, 333-136083, 333-136086, 333-146932 and 333-148995) and Form S-4 (No. 333-82049) of Honeywell International Inc. of our report dated February 11, 2011 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 11, 2011

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2010,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Kevin Burke
Kevin Burke, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director
Dated: December 10, 2010

/s/ Clive R. Hollick
Clive R. Hollick, Director

/s/ George Paz
George Paz, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

/s/ Michael W. Wright
Michael W. Wright, Director

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan, the Honeywell Puerto Rico Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2007 Honeywell Global Employee Stock Plan (including any and all sub-plans), and any plan which is a successor to such plans or is a validly authorized new plan pursuant to which securities of the Company are issued to employees.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune	/s/ Clive R. Hollick
Gordon M. Bethune, Director	Clive R. Hollick, Director
/s/ Kevin Burke	/s/ George Paz
Kevin Burke, Director	George Paz, Director
/s/ Jaime Chico Pardo	/s/ Bradley T. Sheares
Jaime Chico Pardo, Director	Bradley T. Sheares, Director
/s/ D. Scott Davis	/s/ Michael W. Wright
D. Scott Davis, Director	Michael W. Wright, Director
/s/ Linnet F. Deily	
Linnet F. Deily, Director	

Dated: December 10, 2010

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements on Form S-3 or S-4 or any other appropriate form, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company for the registration of sales or resales of:

(i) shares of the Company's common stock, par value, $1.00 per share, including shares of common stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any successor or new plan for such purposes;

(ii) shares of the Company's preferred stock, without par value;

(iii) debt securities of the Company, with such terms as may be from time to time specified in such registration statement or any amendment, post-effective amendment or supplement thereto; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or any other person or entity, as may be specified in any such registration statement, amendment or supplement thereto, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder;

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to the extent that they confer authority to sign the above-described documents.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune	/s/ Clive R. Hollick
Gordon M. Bethune, Director	Clive R. Hollick, Director
/s/ Kevin Burke	/s/ George Paz
Kevin Burke, Director	George Paz, Director
/s/ Jaime Chico Pardo	/s/ Bradley T. Sheares
Jaime Chico Pardo, Director	Bradley T. Sheares, Director
/s/ D. Scott Davis	/s/ Michael W. Wright
D. Scott Davis, Director	Michael W. Wright, Director
/s/ Linnet F. Deily	
Linnet F. Deily, Director Dated: December 10, 2010	

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2010,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ David M. Cote

David M. Cote

Dated: December 10, 2010

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan, the Honeywell Puerto Rico Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2007 Honeywell Global Employee Stock Plan (including any and all sub-plans), and any plan which is a successor to such plans or is a validly authorized new plan pursuant to which securities of the Company are issued to employees.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

/s/ David M. Cote

David M. Cote

Dated: December 10, 2010

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements on Form S-3 or S-4 or any other appropriate form, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company for the registration of sales or resales of:

(i) shares of the Company's common stock, par value, $1.00 per share, including shares of common stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any successor or new plan for such purposes;

(ii) shares of the Company's preferred stock, without par value;

(iii) debt securities of the Company, with such terms as may be from time to time specified in such registration statement or any amendment, post-effective amendment or supplement thereto; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or any other person or entity, as may be specified in any such registration statement, amendment or supplement thereto, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder;

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to the extent that they confer authority to sign the above-described documents.

/s/ David M. Cote

David M. Cote

Dated: December 10, 2010

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Cote, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Honeywell International Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2011

By: /s/ David M. Cote
David M. Cote
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Anderson, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2011

By: /s/ David J. Anderson
David J. Anderson
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Cote
David M. Cote
Chief Executive Officer
February 11, 2011

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Anderson
David J. Anderson
Chief Financial Officer
February 11, 2011

EXHIBIT 10

HONEYWELL INTERNATIONAL INC (HON)

10-K

Annual report pursuant to section 13 and 15(d)
Filed on 02/17/2012
Filed Period 12/31/2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware	22-2640650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 Columbia Road Morris Township, New Jersey	07962
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (973) 455-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1 per share*	New York Stock Exchange Chicago Stock Exchange
9½% Debentures due June 1, 2016	New York Stock Exchange

* The common stock is also listed on the London Stock Exchange.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $47.1 billion at June 30, 2011.

There were 775,363,731 shares of Common Stock outstanding at January 31, 2012.

Documents Incorporated by Reference

Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 23, 2012.

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PART I.

Item 1. Business

Honeywell International Inc. (Honeywell) is a diversified technology and manufacturing company, serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, turbochargers, automotive products, specialty chemicals, electronic and advanced materials, process technology for refining and petrochemicals, and energy efficient products and solutions for homes, business and transportation. Honeywell was incorporated in Delaware in 1985.

We maintain an internet website at http://www.honeywell.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, are available free of charge on our website under the heading "Investor Relations" (see "SEC Filings & Reports") immediately after they are filed with, or furnished to, the Securities and Exchange Commission (SEC). In addition, in this Form 10-K, the Company incorporates by reference certain information from parts of its proxy statement for the 2012 Annual Meeting of Stockholders, which we expect to file with the SEC on or about March 8, 2012, and which will also be available free of charge on our website.

Information relating to corporate governance at Honeywell, including Honeywell's Code of Business Conduct, Corporate Governance Guidelines and Charters of the Committees of the Board of Directors are also available, free of charge, on our website under the heading "Investor Relations" (see "Corporate Governance"), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. Honeywell's Code of Business Conduct applies to all Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees.

Major Businesses

We globally manage our business operations through four businesses that are reported as operating segments: Aerospace, Automation and Control Solutions, Performance Materials and Technologies (formerly Specialty Materials), and Transportation Systems. Financial information related to our operating segments is included in Note 23 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The major products/services, customers/uses and key competitors of each of our operating segments follows:

Aerospace

Our Aerospace segment is a leading global provider of integrated avionics, engines, systems and service solutions for aircraft manufacturers, airlines, business and general aviation, military, space and airport operations.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Turbine propulsion engines	TFE731 turbofan TFE1042 turbofan ATF3 turbofan F125 turbofan F124 turbofan ALF502 turbofan LF507 turbofan CFE738 turbofan HTF 7000 turbofan T53 turboshaft T55 turboshaft CTS800 turboshaft HTS900 turboshaft LT101 turboshaft TPE 331 turboprop AGT1500 turboshaft Repair, overhaul and spare parts	Business, regional, and general aviation Commercial helicopters Military vehicles Military helicopters Military trainer	Rolls Royce/Allison Turbomeca United Technologies Williams

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Auxiliary power units (APU'S)	Airborne auxiliary power units Jet fuel starters Secondary power systems Ground power units Repair, overhaul and spare parts	Commercial, regional, business and military aircraft Ground power	United Technologies
Environmental control systems	Air management systems: Air conditioning Bleed air Cabin pressure control Air purification and treatment Gas Processing Heat Exchangers Repair, overhaul and spare parts	Commercial, regional and general aviation aircraft Military aircraft Ground vehicles Spacecraft	Auxilec Barber Colman Dukes Eaton-Vickers General Electric Goodrich Liebherr Pacific Scientific Parker Hannifin TAT United Technologies
Electric power systems	Generators Power distribution & control Power conditioning Repair, overhaul and spare parts	Commercial, regional, business and military aircraft Commercial and military helicopters Military vehicles	General Electric Goodrich Safran United Technologies
Engine systems accessories	Electronic and hydromechanical fuel controls Engine start systems Electronic engine controls Sensors Valves Electric and pneumatic power generation systems Thrust reverser actuation, pneumatic and electric	Commercial, regional and general aviation aircraft Military aircraft	BAE Controls Goodrich Parker Hannifin United Technologies
Avionics systems	Flight safety systems: Enhanced Ground Proximity Warning Systems (EGPWS) Traffic Alert and Collision Avoidance Systems (TCAS) Windshear detection systems Flight data and cockpit voice recorders Weather radar Communication, navigation and surveillance systems: Navigation and guidance	Commercial, business and general aviation aircraft Government aviation Military aircraft	BAE Boeing/Jeppesen Garmin General Electric Goodrich Kaiser L3 Lockheed Martin Northrop Grumman Rockwell Collins Thales Trimble/Terra

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
	systems Global positioning systems Satellite systems Integrated avionics systems Flight management systems Cockpit display systems Data management and aircraft performance monitoring systems Aircraft information systems Network file servers Wireless network transceivers Weather information network Navigation database information Cabin management systems Vibration detection and monitoring Mission management systems Tactical data management systems Maintenance and health monitoring systems		Universal Avionics Universal Weather
Aircraft lighting	Interior and exterior aircraft lighting	Commercial, regional, business, helicopter and military aviation aircraft (operators, OEMs, parts distributors and MRO service providers)	Hella/Goodrich LSI Luminator Whelen
Inertial sensor	Inertial sensor systems for guidance, stabilization, navigation and control Gyroscopes, accelerometers, inertial measurement units and thermal switches Attitude and heading reference systems	Military and commercial vehicles Commercial spacecraft and launch vehicles Transportation Powered, guided munitions Munitions	Astronautics Kearfott BAE GEC General Electric Goodrich L3 Com KVH Northrop Grumman Rockwell
Control products	Radar altimeters Pressure products Air data products Thermal switches Magnetic sensors	Military aircraft Powered, guided munitions, UAVs Commercial applications Commercial, regional, business aircraft	BAE Goodrich Northrop Grumman Rockwell Collins Rosemount

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Space products and subsystems	Guidance subsystems Control subsystems Processing subsystems Radiation hardened electronics and integrated circuits GPS-based range safety systems Gyroscopes	Commercial and military spacecraft DoD FAA NASA	BAE Ithaco L3 Northrop Grumman Raytheon
Management and technical services	Maintenance/operation and provision of space systems, services and facilities Systems engineering and integration Information technology services Logistics and sustainment	U.S. government space (NASA) DoD (logistics and information services) FAA DoE Local governments Commercial space ground segment systems and services	Bechtel Boeing Computer Sciences Dyncorp Exelis Lockheed Martin Raytheon SAIC The Washington Group United Space Alliance
Landing systems	Wheels and brakes Wheel and brake repair and overhaul services	Commercial airline, regional, business and military aircraft USAF, DoD, DoE Boeing, Airbus, Lockheed Martin	Goodrich Meggitt Messier-Bugatti

Automation and Control Solutions

Our Automation and Control Solutions segment is a leading global provider of environmental and combustion controls, sensing controls, security and life safety products and services, scanning and mobility devices and process automation and building solutions and services for homes, buildings and industrial facilities.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Environmental and combustion controls; sensing controls	Heating, ventilating and air conditioning controls and components for homes and buildings Indoor air quality products including zoning, air cleaners, humidification, heat and energy recovery ventilators Controls plus integrated electronic systems for burners, boilers and furnaces Consumer household products including humidifiers and thermostats Electrical devices and switches Water controls Sensors, measurement, control and industrial components Energy demand/response management products and services	Original equipment manufacturers (OEMs) Distributors Contractors Retailers System integrators Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels Package and materials handling operations Appliance manufacturers Transportation companies Aviation companies Food and beverage processors Medical equipment Heat treat processors Computer and business equipment manufacturers	Bosch Cherry Danfoss Eaton Emerson Endress & Hauser Freescale Semiconductor GE Holmes Invensys Johnson Controls Omron Schneider Siemens United Technologies Yamatake Measurement Specialties
Security and life safety products and services	Security products and systems Fire products and systems Access controls and closed circuit television Home health monitoring and nurse call systems Gas detection products and systems Emergency lighting Distribution Personal protection equipment	OEMs Retailers Distributors Commercial customers and homeowners served by the the distributor, wholesaler, contractor, retail and utility channels Health care organizations Security monitoring service providers Industrial, fire service, utility distributors and U.S. Government	Bosch Draeger GE Hubbell Inc Mine Safety Appliances Pelco Phillips Riken Keiki Siemens Tyco United Technologies 3M
Scanning and mobility	Hand held and hands free image and laser based bar code scanners Scan engines Mobile and wireless computers	OEMs Retailers Distributors Commercial customers served by the transportation and and logistics, manufacturing, healthcare and retail	Datalogic Intermec Technologies Iridium Vars Motorola Solutions Psion Skywave

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
	Satellite tracking hardware, airtime services and applications Search & Rescue ground stations and system software LXE Hand Held and Vehicle Mounts	channels Security, logistics, maritime customers for: the tracking of vehicles, containers, ships, and personnel in remote environments National organizations that monitor distress signals from aircraft, ships and individuals, typically Military branches and Coast Guards Warehousing and Ports	Tsi
Process automation products and solutions	Advanced control software and industrial automation systems for control and monitoring of continuous, batch and hybrid operations Production management software Communications systems for Industrial Control equipment and systems Consulting, networking engineering and installation Terminal automation solutions Process control instrumentation Field instrumentation Analytical instrumentation Recorders and controllers Critical environment control solutions and services Aftermarket maintenance, repair and upgrade Gas control, measurement and analyzing equipment	Refining and petrochemical companies Chemical manufacturers Oil and gas producers Food and beverage processors Pharmaceutical companies Utilities Film and coated producers Pulp and paper industry Continuous web producers in the paper, plastics, metals, rubber, non-woverns and printing industries Mining and mineral industries	ABB AspenTech Emerson Invensys Siemens Yokogawa
Building solutions and services	HVAC and building control solutions and services Energy management solutions and services, including demand response and automation Security and asset management solutions and services Enterprise building integration solutions Building information services Airport lighting and systems, visual docking guidance systems	Building managers and owners Contractors, architects and developers Consulting engineers Security directors Plant managers Utilities Large global corporations Public school systems Universities Local governments Public housing agencies Airports	Ameresco Chevron GroupMac Ingersoll Rand Invensys Johnson Controls Local contractors and utilities Safegate Schneider Siemens Trane Thorn United Technologies

Performance Materials and Technologies

Our Performance Materials and Technologies segment is a global leader in providing customers with leading technologies and high-performance materials, including hydrocarbon processing technologies, catalysts, adsorbents, equipment and services, fluorine products, specialty films and additives, advanced fibers and composites, intermediates, specialty chemicals, electronic materials and chemicals.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Resins & chemicals	Nylon 6 polymer *Caprolactam* Ammonium sulfate Phenol Acetone Cyclohexanone MEKO	Nylon for carpet fibers, Engineered resins and flexible packaging Fertilizer ingredients Resins - Phenolic, Epoxy, Polycarbonate Sovents Chemical intermediates Paints, Coatins, Laquers	BASF DSM Sinopec UBE INEOS Mitsui Shell Polimeri
Hydrofluoric acid (HF)	Anhydrous and aqueous hydrofluoric acid	Fluorocarbons Metals processing Oil refining Chemical intermediates Semiconductors Photovoltaics	Mexichem Fluor Solvay
Fluorocarbons	Refrigerants, aerosol and insulation foam blowing agents Genesolv®solvents *Oxyfume sterilant gases* Ennovate 3000 blowing agent for refrigeration insulation	Refrigeration Air conditioning Polyurethane foam Precision cleaning *Optical* Appliances Hospitals Medical equipment Manufacturers	Arkema Dupont Solvay Mexichem Fluor *Daikin* Sinochem
Nuclear services	UF6 conversion services	Nuclear fuel Electric utilities	Cameco Comurhex Rosatom
Research and fine chemicals	Oxime-based fine chemicals Fluoroaromatics High-purity solvents	Agrichemicals Biotech	Avecia Degussa DSM E. Merck Thermo Fisher Scientific Lonza Sigma-Aldrich
Performance chemicals Imaging chemicals Chemical processing sealants	HF derivatives Fluoroaromatics Catalysts Oxime-silanes	Diverse by product type	Atotech BASF DSM
Advanced fibers &	High modulus polyethylene	Bullet resistant vests, helmets	DuPont

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
composites	fiber and shield composites Aramid shield composites	and other armor applications Cut-resistant gloves Rope & cordage	DSM Teijin
Healthcare and packaging	Cast nylon film Bi-axially oriented nylon film Fluoropolymer film	Food and pharmaceutical packaging	American Biaxis CFP Daikin Kolon Unitika
Specialty additives	Polyethylene waxes Paraffin waxes and blends PVC lubricant systems Processing aids Luminescent pigments Adhesives	Coatings and inks PVC pipe, siding & profiles Plastics Reflective coatings Safety & security applications	BASF Clariant Westlake
Electronic chemicals	Ultra high-purity HF Inorganic acids Hi-purity solvents	Semiconductors Photovoltaics	KMG BASF
Semiconductor materials and services	Interconnect-dielectrics Interconnect-metals Semiconductor packaging materials Advanced polymers Anti-reflective coatings Thermo-couples	Semiconductors Microelectronics Telecommunications LED Photovoltaics	BASF Brewer Dow Nikko Praxair Shinko Tosoh
Catalysts, adsorbents and specialties	Catalysts Molecular sieves Adsorbents Customer catalyst manufacturing	Petroleum, refining, petrochemical, gas processing, and manufacturing industries	Axens BASF WR Grace Haldor Shell/Criterion
Process technology and equipment	Technology licensing and engineering design of process units and systems Engineered products Proprietary equipment Training and development of technical personnel Gas processing technology	Petroleum refining, petrochemical and gas processing	Axens BP/Amoco Exxon-Mobil Chevron Lummus Global Chicago Bridge & Iron Koch Glitsch Linde AG Natco Shaw Group Shell/SGS
Renewable fuels and chemicals	Technology licensing of Process, catalysts, absorbents, Refining equipment and services for producing renewable-based fuels and chemicals	Military, refining, fuel oil, power production	Neste Oy Lurgi Kior Syntroleum Dynamotive

Transportation Systems

Our Transportation Systems segment is one of the leading manufacturers of engine boosting systems for passenger cars and commercial vehicles, as well as a leading provider of braking products.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Charge-air systems	Turbochargers for gasoline and diesel engines	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Borg-Warner Holset IHI MHI
Thermal systems	Exhaust gas coolers Charge-air coolers Aluminum radiators Aluminum cooling modules	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Behr Modine Valeo
Brake hard parts and other friction materials	Disc brake pads and shoes Drum brake linings Brake blocks Disc and drum brake components Brake hydraulic components Brake fluid Aircraft brake linings Railway linings	Automotive and heavy vehicle OEMs, OES, brake manufacturers and aftermarket channels Installers Railway and commercial/military aircraft OEMs and brake manufacturers	Advics Akebono Continental Federal-Mogul ITT Corp JBI Nisshinbo TRW

Aerospace Sales

Our sales to aerospace customers were 31, 33, and 36 percent of our total sales in 2011, 2010 and 2009, respectively. Our sales to commercial aerospace original equipment manufacturers were 6, 6 and 7 percent of our total sales in 2011, 2010 and 2009, respectively. In addition, our sales to commercial aftermarket customers of aerospace products and services were 11 percent of our total sales in each of 2011, 2010 and 2009. Our Aerospace results of operations can be impacted by various industry and economic conditions. See "Item 1A. Risk Factors."

U.S. Government Sales

Sales to the U.S. Government (principally by our Aerospace segment), acting through its various departments and agencies and through prime contractors, amounted to $4,276, $4,354 and $4,288 million in 2011, 2010 and 2009, respectively, which included sales to the U.S. Department of Defense, as a prime contractor and subcontractor, of $3,374, $3,500 and $3,455 million in 2011, 2010 and 2009, respectively. Base U.S. defense spending (excludes Overseas Contingent Operations) was essentially flat in 2011 compared to 2010. Although we expect a slight decline in our defense and space revenue in 2012 (see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations), we do not expect our overall operating results to be significantly affected by any proposed changes in 2012 federal defense spending due principally to the varied mix of the government programs which impact us (OEM production, engineering development programs, aftermarket spares and repairs and overhaul programs) as well as our diversified commercial businesses. Our contracts with the U.S. Government are subject to audits, investigations, and termination by the government. See "Item 1A. Risk Factors."

Backlog

Our total backlog at December 31, 2011 and 2010 was $16,160 and $14,616 million, respectively. We anticipate that approximately $12,018 million of the 2011 backlog will be filled in 2012. We believe that backlog is not necessarily a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

Competition

We are subject to active competition in substantially all product and service areas. Competition is expected to continue in all geographic regions. Competitive conditions vary widely among the thousands of products and services provided by us, and vary by country. Our businesses compete on a variety of factors, such as price, quality, reliability, delivery, customer service, performance, applied technology, product innovation and product recognition. Brand identity, service to customers and quality are important competitive factors for our products and services, and there is considerable price competition. Other competitive factors include breadth of product line, research and development efforts and technical and managerial capability. While our competitive position varies among our products and services, we believe we are a significant competitor in each of our major product and service classes, A number of our products and services are sold in competition with those of a large number of other companies, some of which have substantial financial resources and significant technological capabilities. In addition, some of our products compete with the captive component divisions of original equipment manufacturers. See Item 1A "Risk Factors" for further discussion.

International Operations

We are engaged in manufacturing, sales, service and research and development globally. U.S. exports and foreign manufactured products are significant to our operations. U.S. exports comprised 12, 11 and 12 percent of our total sales in 2011, 2010 and 2009, respectively. Foreign manufactured products and services, mainly in Europe and Asia, were 43, 42 and 40 percent of our total sales in 2011, 2010 and 2009, respectively.

Approximately 18 percent of total 2011 sales of Aerospace-related products and services were exports of U.S. manufactured products and systems and performance of services such as aircraft repair and overhaul. Exports were principally made to Europe, Asia, Canada, and Latin America. Foreign manufactured products and systems and performance of services comprised approximately 15 percent of total 2011 Aerospace sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Canada and Asia.

Approximately 3 percent of total 2011 sales of Automation and Control Solutions products and services were exports of U.S. manufactured products. Foreign manufactured products and performance of services accounted for 58 percent of total 2011 Automation and Control Solutions sales. The principal manufacturing facilities outside the U.S. are in Europe and Asia, with less significant operations in Canada and Australia.

Approximately 34 percent of total 2011 sales of Performance Materials and Technologies products and services were exports of U.S. manufactured products. Exports were principally made to Asia and Latin America. Foreign manufactured products and performance of services comprised 25 percent of total 2011 Performance Materials and Technologies sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia.

Approximately 3 percent of total 2011 sales of Transportation Systems products were exports of U.S. manufactured products. Foreign manufactured products accounted for 85 percent of total 2011 sales of Transportation Systems. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Latin America.

Financial information including net sales and long-lived assets related to geographic areas is included in Note 24 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data". Information regarding the economic, political, regulatory and other risks associated with international operations is included in "Item 1A. Risk Factors."

Raw Materials

The principal raw materials used in our operations are generally readily available. Although we occasionally experience disruption in raw materials supply, we experienced no significant problems in the purchase of key raw materials and commodities in 2011. We are not dependent on any one supplier for a material amount of our raw materials, except related to R240 (a key component in foam blowing agents), a raw material used in our Performance Materials and Technologies segment.

The costs of certain key raw materials, including cumene, fluorspar, perchloroethylene, R240, natural gas, sulfur and ethylene in our Performance Materials and Technologies business, nickel, steel and other metals in our Transportation Systems business, and nickel, titanium and other metals in our Aerospace business, are expected to remain volatile. We will continue to attempt to offset raw material cost increases with formula or long-term supply agreements, price increases and hedging activities where feasible. We do not presently anticipate that a shortage of raw materials will cause any material adverse impacts during 2012. See "Item 1A. Risk Factors" for further discussion.

Patents, Trademarks, Licenses and Distribution Rights

Our segments are not dependent upon any single patent or related group of patents, or any licenses or distribution rights. We own, or are licensed under, a large number of patents, patent applications and trademarks acquired over a period of many years, which relate to many of our products or improvements to those products and which are of importance to our business. From time to time, new patents and trademarks are obtained, and patent and trademark licenses and rights are acquired from others. We also have distribution rights of varying terms for a number of products and services produced by other companies. In our judgment, those rights are adequate for the conduct of our business. We believe that, in the aggregate, the rights under our patents, trademarks and licenses are generally important to our operations, but we do not consider any patent, trademark or related group of patents, or any licensing or distribution rights related to a specific process or product, to be of material importance in relation to our total business. See "Item 1A. Risk Factors" for further discussion.

We have registered trademarks for a number of our products and services, including Honeywell, Aclar, Ademco, Bendix, BW, Callidus, Enovate, Esser, Fire-Lite, Garrett, Genetron, Gent, Howard Leight, Jurid, Matrikon, Maxon, MK, North, Notifier, Novar, RMG, Silent Knight, Spectra, System Sensor, Trend, Tridium and UOP.

Research and Development

Our research activities are directed toward the discovery and development of new products, technologies and processes, and the development of new uses for existing products and software applications. The Company's principal research and development activities are in the U.S., India, Europe and China.

Research and development (R&D) expense totaled $1,799, $1,450 and $1,321 million in 2011, 2010 and 2009, respectively. The increase in R&D expense of 24 percent in 2011 compared to 2010 was mainly due to increased expenditures on the development of new technologies to support existing and new aircraft platforms in our Aerospace segment, the development of turbocharging systems for new diesel and gas applications in our Transportation Systems segment and new product development in our Automation and Control Solutions segment. The increase in R&D expense of 10 percent in 2010 compared to 2009 was mainly due to additional product design and development costs in Automation and Control Solutions and increased expenditures on the development of products for new aircraft platforms. R&D as a percentage of sales was 4.9, 4.5 and 4.4 percent in 2011, 2010 and 2009, respectively. Customer-sponsored (principally the U.S. Government) R&D activities amounted to an additional $867, $874 and $852 million in 2011, 2010 and 2009, respectively.

Environment

We are subject to various federal, state, local and foreign government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. It is our policy to comply with these requirements, and we believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage, and of resulting financial liability, in connection with our business. Some risk of environmental damage is, however, inherent in some of our operations and products, as it is with other companies engaged in similar businesses.

We are and have been engaged in the handling, manufacture, use and disposal of many substances classified as hazardous by one or more regulatory agencies. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury, and that our handling, manufacture, use and disposal of these substances are in accord with environmental and safety laws and regulations. It is possible, however, that future knowledge or other developments, such as improved capability to detect substances in the environment or increasingly strict environmental laws and standards and enforcement policies, could bring into question our current or past handling, manufacture, use or disposal of these substances.

Among other environmental requirements, we are subject to the federal superfund and similar state and foreign laws and regulations, under which we have been designated as a potentially responsible party that may be liable for cleanup costs associated with current and former operating sites and various hazardous waste sites, some of which are on the U.S. Environmental Protection Agency's Superfund priority list. Although, under some court interpretations of these laws, there is a possibility that a responsible party might have to bear more than its proportional share of the cleanup costs if it is unable to obtain appropriate contribution from other responsible parties, we have not had to bear significantly more than our proportional share in multi-party situations taken as a whole.

We do not believe that existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on the Company's business or markets that it serves, nor on its results of operations, capital expenditures or financial position. We will continue to monitor emerging developments in this area.

Further information, including the current status of significant environmental matters and the financial impact incurred for remediation of such environmental matters, if any, is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in Note 21 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data," and in "Item 1A. Risk Factors."

Employees

We have approximately 132,000 employees at December 31, 2011, of which approximately 53,000 were located in the United States.

Item 1A. Risk Factors

Cautionary Statement about Forward-Looking Statements

We have described many of the trends and other factors that drive our business and future results in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", including the overview of the Company and each of our segments and the discussion of their respective economic and other factors and areas of focus for 2012. These sections and other parts of this report (including this Item 1A) contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements are those that address activities, events or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management's assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties that can affect our performance in both the near-and long-term. These forward-looking statements should be considered in light of the information included in this Form 10-K, including, in particular, the factors discussed below.

Risk Factors

Our business, operating results, cash flows and financial condition are subject to the risks and uncertainties set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

Industry and economic conditions may adversely affect the market and operating conditions of our customers, which in turn can affect demand for our products and services and our results of operations.

The operating results of our segments are impacted by general global industry and economic conditions that can cause changes in spending and capital investment patterns, demand for our products and services and the level of our manufacturing and shipping costs. The operating results of our Aerospace segment, which generated 31 percent of our consolidated revenues in 2011, are directly tied to cyclical industry and economic conditions, including global demand for air travel as reflected in new aircraft production, the deferral or cancellation of orders for new aircraft, delays in launch schedules for new aircraft platforms, the retirement of aircraft, global flying hours, and business and general aviation aircraft utilization rates, as well as changes in customer buying patterns with respect to aftermarket parts, supplier consolidation, factory transitions, capacity constraints, and the level and mix of U.S. Government appropriations for defense and space programs (as further discussed in other risk factors below). The challenging operating environment faced by the commercial airline industry may be influenced by a wide variety of factors including global flying hours, aircraft fuel prices, labor issues, airline consolidation, airline insolvencies, terrorism and safety concerns as well as changes in regulations. Future terrorist actions or pandemic health issues could dramatically reduce both the demand for air travel and our Aerospace aftermarket sales and margins. The operating results of our Automation and Control Solutions (ACS) segment, which generated 43 percent of our consolidated revenues in 2011, are impacted by the level of global residential and commercial construction (including retrofits and upgrades), capital spending and operating expenditures on building and process automation, industrial plant capacity utilization and expansion, inventory levels in distribution channels, and global economic growth rates. Performance Materials and Technologies' operating results, which generated 15 percent of our consolidated revenues in 2011, are impacted by global economic growth rates, capacity utilization for chemical, industrial, refining, petrochemical and semiconductor plants, our customers' availability of capital for refinery construction and expansion, and raw material demand and supply volatility. Transportation Systems' operating results, which generated 11 percent of our consolidated revenues in 2011, are impacted by global production and demand for automobiles and trucks equipped with turbochargers, and regulatory changes regarding automobile and truck emissions and fuel economy, delays in launch schedules for new automotive platforms, and consumer demand and spending for automotive aftermarket products. Demand of global automotive and truck manufacturers will continue to be influenced by a wide variety of factors, including ability of consumers to obtain financing, ability to reduce operating costs and overall consumer and business confidence. Each of the segments is impacted by volatility in raw material prices (as further described below) and non-material inflation.

Raw material price fluctuations, the ability of key suppliers to meet quality and delivery requirements, or catastrophic events can increase the cost of our products and services, impact our ability to meet commitments to customers, and cause us to incur significant liabilities.

The cost of raw materials is a key element in the cost of our products, particularly in our Performance Materials and Technologies (cumene, fluorspar, perchloroethylene, R240, natural gas, sulfur and ethylene), Transportation Systems (nickel, steel and other metals) and Aerospace (nickel, titanium and other metals) segments. Our inability to offset material price inflation through increased prices to customers, formula or long-term fixed price contracts with suppliers, productivity actions or through commodity hedges could adversely affect our results of operations.

Our manufacturing operations are also highly dependent upon the delivery of materials (including raw materials) by outside suppliers and their assembly of major components, and subsystems used in our products in a timely manner and in full compliance with purchase order terms and conditions, quality standards, and applicable laws and regulations. In addition, many major components, product equipment items and raw materials are procured or subcontracted on a single-source basis with a number of domestic and foreign companies; in some circumstances these suppliers are the sole source of the component or equipment. Although we maintain a qualification and performance surveillance process to control risk associated with such reliance on third parties and we believe that sources of supply for raw materials and components are generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' inability to scale production and adjust delivery of long-lead time products during times of volatile demand. Our suppliers may fail to perform according to specifications as and when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance. The supply chains for our businesses could also be disrupted by suppliers' decisions to exit certain businesses, bankruptcy and by external events such as natural disasters, extreme weather events, pandemic health issues, terrorist actions, labor disputes, governmental actions and legislative or regulatory changes (e.g., product certification or stewardship requirements, sourcing restrictions, product authenticity, climate change or greenhouse gas emission standards, etc.). Our inability to fill our supply needs would jeopardize our ability to fulfill obligations under commercial and government contracts, which could, in turn, result in reduced sales and profits, contract penalties or terminations, and damage to customer relationships. Transitions to new suppliers may result in significant costs and delays, including those related to the required recertification of parts obtained from new suppliers with our customers and/or regulatory agencies. In addition, because our businesses cannot always immediately adapt their cost structure to changing market conditions, our manufacturing capacity for certain products may at times exceed or fall short of our production requirements, which could adversely impact our operating costs, profitability and customer and supplier relationships.

Our facilities, distribution systems and information technology systems are subject to catastrophic loss due to, among other things, fire, flood, terrorism or other natural or man-made disasters. If any of these facilities or systems were to experience a catastrophic loss, it could disrupt our operations, result in personal injury or property damage, damage relationships with our customers and result in large expenses to repair or replace the facilities or systems, as well as result in other liabilities and adverse impacts. The same risk can also arise from the failure of critical systems supplied by Honeywell to large industrial, refining and petrochemical customers.

Our future growth is largely dependent upon our ability to develop new technologies that achieve market acceptance with acceptable margins.

Our businesses operate in global markets that are characterized by rapidly changing technologies and evolving industry standards. Accordingly, our future growth rate depends upon a number of factors, including our ability to (i) identify emerging technological trends in our target end-markets, (ii) develop and maintain competitive products, (iii) enhance our products by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products, (iv) develop, manufacture and bring products to market quickly and cost-effectively, and (v) develop and retain individuals with the requisite expertise.

Our ability to develop new products based on technological innovation can affect our competitive position and requires the investment of significant resources. These development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new technologies or products on a timely basis or that meet the needs of our customers as fully as competitive offerings. In addition, the markets for our products may not develop or grow as we currently anticipate. The failure of our technologies or products to gain market acceptance due to more attractive offerings by our competitors could significantly reduce our revenues and adversely affect our competitive standing and prospects.

Protecting our intellectual property is critical to our innovation efforts.

We own or are licensed under a large number of U.S. and non-U.S. patents and patent applications, trademarks and copyrights. Our intellectual property rights may expire or be challenged, invalidated or infringed upon by third parties or we may be unable to maintain, renew or enter into new licenses of third party proprietary intellectual property on commercially reasonable terms. In some non-U.S. countries, laws affecting intellectual property are uncertain in their application, which can affect the scope or enforceability of our patents and other intellectual property rights. Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, subject us to judgments, penalties and significant litigation costs, and/or temporarily or permanently disrupt our sales and marketing of the affected products or services.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

Global cybersecurity threats can range from uncoordinated individual attempts to gain unauthorized access to our information technology (IT) systems to sophisticated and targeted measures known as advanced persistent threats. While we employ comprehensive measures to prevent, detect, address and mitigate these threats (including access controls, data encryption, vulnerability assessments, continuous monitoring of our IT networks and systems and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, diminution in the value of our investment in research, development and engineering, and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations.

An increasing percentage of our sales and operations is in non-U.S. jurisdictions and is subject to the economic, political, regulatory and other risks of international operations.

Our international operations, including U.S. exports, comprise a growing proportion of our operating results. Our strategy calls for increasing sales to and operations in overseas markets, including developing markets such as China, India, the Middle East and other high growth regions.

In 2011, approximately 55 percent of our total sales (including products manufactured in the U.S. and sold outside the U.S. as well as products manufactured in international locations) were outside of the U.S. including approximately 30 percent in Europe and approximately 12 percent in Asia. Risks related to international operations include exchange control regulations, wage and price controls, employment regulations, foreign investment laws, import, export and other trade restrictions (such as embargoes), changes in regulations regarding transactions with state-owned enterprises, nationalization of private enterprises, government instability, and our ability to hire and maintain qualified staff and maintain the safety of our employees in these regions. We are also subject to U.S. laws prohibiting companies from doing business in certain countries, or restricting the type of business that may be conducted in these countries. The cost of compliance with increasingly complex and often conflicting regulations worldwide can also impair our flexibility in modifying product, marketing, pricing or other strategies for growing our businesses, as well as our ability to improve productivity and maintain acceptable operating margins.

Uncertain global economic conditions arising from circumstances such as sovereign debt issues and credit rating downgrades in certain European countries or speculation regarding changes to the composition or viability of the Euro zone could result in reduced customer confidence resulting in decreased demand for our products and services, disruption in payment patterns and higher default rates, a tightening of credit markets (see risk factor below regarding volatility of credit markets for further discussion), increased risk regarding supplier performance, increased counterparty risk with respect to the financial institutions with which we do business, and exchange rate fluctuations. While we employ comprehensive controls regarding global cash management to guard against cash or investment loss and to ensure our ability to fund our operations and commitments, a material disruption to the financial institutions with whom we transact business could expose Honeywell to financial loss.

Sales and purchases in currencies other than the US dollar expose us to fluctuations in foreign currencies relative to the US dollar and may adversely affect our results of operations. Currency fluctuations may affect product demand and prices we pay for materials, as a result, our operating margins may be negatively impacted. Fluctuations in exchange rates may give rise to translation gains or losses when financial statements of our non-U.S. businesses are translated into U.S. dollars. While we monitor our exchange rate exposures and seek to reduce the risk of volatility through hedging activities, such activities bear a financial cost and may not always be available to us or successful in significantly mitigating such volatility.

Volatility of credit markets or macro-economic factors could adversely affect our business.

Changes in U.S. and global financial and equity markets, including market disruptions, limited liquidity, and interest rate volatility, may increase the cost of financing as well as the risks of refinancing maturing debt. In addition, our borrowing costs can be affected by short and long-term ratings assigned by independent rating agencies. A decrease in these ratings could increase our cost of borrowing.

Delays in our customers' ability to obtain financing, or the unavailability of financing to our customers, could adversely affect our results of operations and cash flow. The inability of our suppliers to obtain financing could result in the need to transition to alternate suppliers, which could result in significant incremental cost and delay, as discussed above. Lastly, disruptions in the U.S. and global financial markets could impact the financial institutions with which we do business.

We may be required to recognize impairment charges for our long-lived assets or available for sale investments.

At December 31, 2011, the net carrying value of long-lived assets (property, plant and equipment, goodwill and other intangible assets) and available for sale securities totaled approximately $19.1 billion and $0.4 billion, respectively. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may result in impairments to goodwill and other long-lived assets. An other than temporary decline in the market value of our available for sale securities may also result in an impairment charge. Future impairment charges could significantly affect our results of operations in the periods recognized. Impairment charges would also reduce our consolidated shareowners' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to the public debt and equity markets.

A change in the level of U.S. Government defense and space funding or the mix of programs to which such funding is allocated could adversely impact Aerospace's defense and space sales and results of operations.

Sales of our defense and space-related products and services are largely dependent upon government budgets, particularly the U.S. defense budget. Sales as a prime contractor and subcontractor to the U.S. Department of Defense comprised approximately 29 and 9 percent of Aerospace and total sales, respectively, for the year ended December 31, 2011. We cannot predict the extent to which total funding and/or funding for individual programs will be included, increased or reduced as part of the 2012 and subsequent budgets ultimately approved by Congress, or be included in the scope of separate supplemental appropriations. We also cannot predict the impact of potential changes in priorities due to military transformation and planning and/or the nature of war-related activity on existing, follow-on or replacement programs. A shift in defense or space spending to programs in which we do not participate and/or reductions in funding for or termination of existing programs could adversely impact our results of operations.

As a supplier of military and other equipment to the U.S. Government, we are subject to unusual risks, such as the right of the U.S. Government to terminate contracts for convenience and to conduct audits and investigations of our operations and performance.

In addition to normal business risks, companies like Honeywell that supply military and other equipment to the U.S. Government are subject to unusual risks, including dependence on Congressional appropriations and administrative allotment of funds, changes in governmental procurement legislation and regulations and other policies that reflect military and political developments, significant changes in contract requirements, complexity of designs and the rapidity with which they become obsolete, necessity for frequent design improvements, intense competition for U.S. Government business necessitating increases in time and investment for design and development, difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work, and other factors characteristic of the industry, such as contract award protests and delays in the timing of contract approvals. Changes are customary over the life of U.S. Government contracts, particularly development contracts, and generally result in adjustments to contract prices and schedules.

Our contracts with the U.S. Government are also subject to various government audits. Like many other government contractors, we have received audit reports that recommend downward price adjustments to certain contracts or changes to certain accounting systems or controls to comply with various government regulations. When appropriate and prudent, we have made adjustments and paid voluntary refunds in the past and may do so in the future.

U.S. Government contracts are subject to termination by the government, either for the convenience of the government or for our failure to perform consistent with the terms of the applicable contract. In the case of a termination for convenience, we are typically entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If a contract is terminated by the government for our failure to perform we could be liable for reprocurement costs incurred by the government in acquiring undelivered goods or services from another source and for other damages suffered by the government as permitted under the contract.

We are also subject to government investigations of business practices and compliance with government procurement regulations. If, as a result of any such investigation or other government investigations (including violations of certain environmental or export laws), Honeywell or one of its businesses were found to have violated applicable law, it could be suspended from bidding on or receiving awards of new government contracts, suspended from contract performance pending the completion of legal proceedings and/or have its export privileges suspended. The U.S. Government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other egregious misconduct. Debarment generally does not exceed three years.

Our reputation and ability to do business may be impacted by the improper conduct of employees, agents or business partners.

We cannot ensure that our extensive compliance controls, policies and procedures will, in all instances, protect us from reckless or criminal acts committed by our employees, agents or business partners that would violate the laws of the jurisdictions in which the Company operates, including laws governing payments to government officials, competition and data privacy. Any improper actions could subject us to civil or criminal investigations, monetary and non-monetary penalties and could adversely impact our ability to conduct business, results of operations and reputation.

Changes in legislation or government regulations or policies can have a significant impact on our results of operations.

The sales and margins of each of our segments are directly impacted by government regulations. Safety and performance regulations (including mandates of the Federal Aviation Administration and other similar international regulatory bodies requiring the installation of equipment on aircraft), product certification requirements and government procurement practices can impact Aerospace sales, research and development expenditures, operating costs and profitability. The demand for and cost of providing Automation and Control Solutions products, services and solutions can be impacted by fire, security, safety, health care, environmental and energy efficiency standards and regulations. Performance Materials and Technologies' results of operations can be affected by environmental (e.g. government regulation of fluorocarbons), safety and energy efficiency standards and regulations, while emissions and energy efficiency standards and regulations can impact the demand for turbochargers in our Transportation Systems segment. Legislation or regulations regarding areas such as labor and employment, employee benefit plans, tax, health, safety and environmental matters, import, export and trade, intellectual property, product certification, and product liability may impact the results of each of our operating segments and our consolidated results.

Completed acquisitions may not perform as anticipated or be integrated as planned, and divestitures may not occur as planned.

We regularly review our portfolio of businesses and pursue growth through acquisitions and seek to divest non-core businesses. We may not be able to complete transactions on favorable terms, on a timely basis or at all. In addition, our results of operations and cash flows may be adversely impacted by (i) the failure of acquired businesses to meet or exceed expected returns, (ii) the discovery of unanticipated issues or liabilities, (iii) the failure to integrate acquired businesses into Honeywell on schedule and/or to achieve synergies in the planned amount or within the expected timeframe, (iv) the inability to dispose of non-core assets and businesses on satisfactory terms and conditions and within the expected timeframe, and (v) the degree of protection provided by indemnities from sellers of acquired companies and the obligations under indemnities provided to purchasers of our divested businesses.

We cannot predict with certainty the outcome of litigation matters, government proceedings and other contingencies and uncertainties.

We are subject to a number of lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability (including asbestos), prior acquisitions and divestitures, employment, employee benefits plans, intellectual property, import and export matters and environmental, health and safety matters. Resolution of these matters can be prolonged and costly, and the ultimate results or judgments are uncertain due to the inherent uncertainty in litigation and other proceedings. Moreover, our potential liabilities are subject to change over time due to new developments, changes in settlement strategy or the impact of evidentiary requirements, and we may become subject to or be required to pay damage awards or settlements that could have a material adverse effect on our results of operations, cash flows and financial condition. While we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover the total amount of all insured claims and liabilities. It also is not possible to obtain insurance to protect against all our operational risks and liabilities. The incurrence of significant liabilities for which there is no or insufficient insurance coverage could adversely affect our results of operations, cash flows, liquidity and financial condition.

Our operations and the prior operations of predecessor companies expose us to the risk of material environmental liabilities.

Mainly because of past operations and operations of predecessor companies, we are subject to potentially material liabilities related to the remediation of environmental hazards and to claims of personal injuries or property damages that may be caused by hazardous substance releases and exposures. We have incurred remedial response and voluntary clean-up costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. We are subject to various federal, state, local and foreign government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. These laws and regulations can impose substantial fines and criminal sanctions for violations, and require installation of costly equipment or operational changes to limit emissions and/or decrease the likelihood of accidental hazardous substance releases. We incur, and expect to continue to incur capital and operating costs to comply with these laws and regulations. In addition, changes in laws, regulations and enforcement of policies, the discovery of previously unknown contamination or new technology or information related to individual sites, the establishment of stricter state or federal toxicity standards with respect to certain contaminants, or the imposition of new clean-up requirements or remedial techniques could require us to incur costs in the future that would have a negative effect on our financial condition or results of operations.

Our expenses include significant costs related to employee and retiree health benefits.

With approximately 132,000 employees, including approximately 53,000 in the U.S., our expenses relating to employee health and retiree health benefits are significant. In recent years, we have experienced significant increases in certain of these costs, largely as a result of economic factors beyond our control, in particular, ongoing increases in health care costs well in excess of the rate of inflation. Continued increasing health-care costs, legislative or regulatory changes, and volatility in discount rates, as well as changes in other assumptions used to calculate retiree health benefit expenses, may adversely affect our financial position and results of operations.

Risks related to our defined benefit pension plans may adversely impact our results of operations and cash flow.

Significant changes in actual investment return on pension assets, discount rates, and other factors could adversely affect our results of operations and pension contributions in future periods. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for our U.S. pension plans may become more significant. However, the ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations. For a discussion regarding the significant assumptions used to estimate pension expense, including discount rate and the expected long-term rate of return on plan assets, and how our financial statements can be affected by pension plan accounting policies, see "Critical Accounting Policies" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Additional tax expense or additional tax exposures could affect our future profitability.

We are subject to income taxes in both the United States and various non-U.S. jurisdictions, and our domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. In 2011, our tax expense represented 18.3 percent of our income before tax, and includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could impact the valuation of our deferred tax assets. Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures.

Item 1B. Unresolved Staff Comments

Not Applicable

Item 2. Properties

We have approximately 1,300 locations consisting of plants, research laboratories, sales offices and other facilities. Our headquarters and administrative complex is located in Morris Township, New Jersey. Our plants are generally located to serve large marketing areas and to provide accessibility to raw materials and labor pools. Our properties are generally maintained in good operating condition. Utilization of these plants may vary with sales to customers and other business conditions; however, no major operating facility is significantly idle. We own or lease warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. We also lease space for administrative and sales staffs. Our properties and equipment are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

Our principal plants, which are owned in fee unless otherwise indicated, are as follows:

Aerospace

- Anniston, AL (leased)
- Glendale, AZ (leased)
- Phoenix, AZ
- Tempe, AZ
- Tucson, AZ
- Torrance, CA
- Clearwater, FL
- South Bend, IN
- Olathe, KS
- Minneapolis, MN (partially leased)
- Plymouth, MN
- Rocky Mount, NC
- Albuquerque, NM
- Urbana, OH
- Greer, SC
- Toronto, Canada
- Olomouc, Czech Republic (leased)
- Raunheim, Germany
- Penang, Malaysia
- Chihuahua, Mexico
- Singapore (leased)
- Yeovil, UK (leased)

Automation and Control Solutions

- San Diego, CA (leased)
- Northford, CT
- Freeport, IL
- St. Charles, IL (leased)
- Golden Valley, MN
- York, PA (leased)
- Pleasant Prairie, WI (leased)
- Shenzhen, China (leased)
- Suzhou, China
- Tianjin, China (leased)
- Brno, Czech Republic (leased)
- Mosbach, Germany
- Neuss, Germany
- Schonaich, Germany (leased)
- Pune, India (leased)
- Chihuahua, Mexico
- Juarez, Mexico (partially leased)
- Tijuana, Mexico (leased)
- Emmen, Netherlands
- Newhouse, Scotland

Performance Materials and Technologies

- Mobile, AL
- Des Plaines, IL
- Metropolis, IL
- Baton Rouge, LA
- Geismar, LA
- Shreveport, LA
- Frankford, PA
- Pottsville, PA
- Orange, TX
- Chesterfield, VA
- Colonial Heights, VA
- Hopewell, VA
- Spokane, WA
- Seelze, Germany

Transportation Systems

- Shanghai, China
- Glinde, Germany
- Atessa, Italy
- Kodama, Japan
- Ansan, Korea (leased)
- Mexicali, Mexico (partially leased)
- Bucharest, Romania
- Pune India

Item 3. Legal Proceedings

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 21 of Notes to Financial Statements.

Environmental Matters Involving Potential Monetary Sanctions in Excess of $100,000

Although the outcome of the matter discussed below cannot be predicted with certainty, we do not believe that it will have a material adverse effect on our consolidated financial position, consolidated results of operations or operating cash flows.

The United States Environmental Protection Agency and the United States Department of Justice are investigating whether the Company's manufacturing facility in Hopewell, Virginia is in compliance with the requirements of the Clean Air Act and the facility's air operating permit. Based on these investigations, the federal authorities have issued notices of violation with respect to the facility's benzene waste operations, leak detection and repair program, emissions of nitrogen oxides and emissions of particulate matter. The Company has entered into negotiations with federal authorities to resolve the alleged violations.

Executive Officers of the Registrant

The executive officers of Honeywell, listed as follows, are elected annually by the Board of Directors. There are no family relationships among them.

Name, Age, Date First Elected an Executive Officer	Business Experience
David M. Cote, 59 2002(a)	Chairman of the Board and Chief Executive Officer since July 2002.
Alexandre Ismail, 46 2009	President and Chief Executive Officer Transportation Systems since April 2009. President Turbo Technologies from November 2008 to April 2009. President Global Passengers Vehicles from August 2006 to November 2008.
Roger Fradin, 58 2004	President and Chief Executive Officer Automation and Control Solutions since January 2004.
Timothy O. Mahoney, 55 2009	President and Chief Executive Officer Aerospace since September 2009. Vice President Aerospace Engineering and Technology and Chief Technology Officer from March 2007 to August 2009. President of Air Transport and Regional from July 2005 to March 2007.
Andreas C. Kramvis, 59 2008	President and Chief Executive Officer Performance Materials and Technologies since March 2008. President of Environmental and Combustion Controls from September 2002 to February 2008.
David J. Anderson, 62 2003	Senior Vice President and Chief Financial Officer since June 2003.
Krishna Mikkilineni, 52 2010	Senior Vice President Engineering and Operations since April 2010 and President Honeywell Technology Solutions since January 2009. Vice President Honeywell Technology Solutions from July 2002 to January 2009.
Katherine L. Adams, 47 2009	Senior Vice President and General Counsel since April 2009. Vice President and General Counsel from September 2008 to April 2009. Vice President and General Counsel for Performance Materials and Technologies from February 2005 to September 2008.
Mark R. James, 50 2007	Senior Vice President Human Resources and Communications since November 2007. Vice President of Human Resources and Communications for Aerospace from October 2004 to November 2007.

(a) Also a Director.

Part II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market and dividend information for Honeywell's common stock is included in Note 26 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The number of record holders of our common stock at December 31, 2011 was 58,965.

Honeywell purchased 1,450,000 shares of its common stock, par value $1 per share, in the quarter ending December 31, 2011. Honeywell purchased a total of 20,250,000 shares of its common stock in 2011. Under the Company's previously reported $3 billion share repurchase program, $1.9 billion remained available as of December 31, 2011 for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time during 2012 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

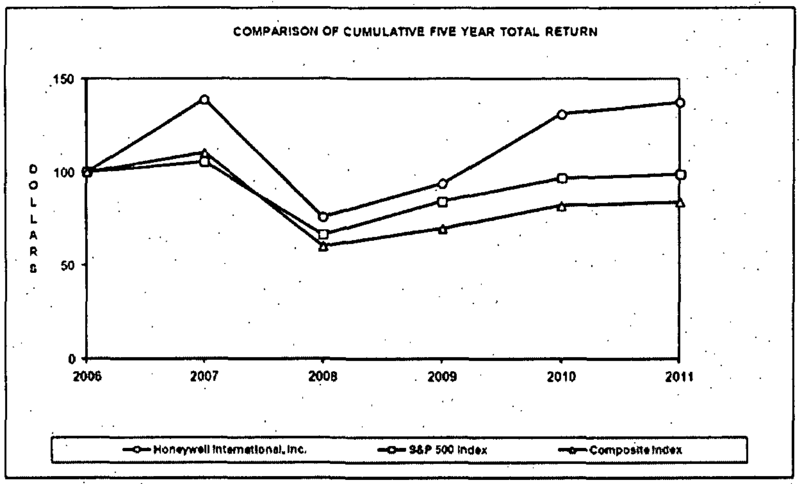
The following table summarizes Honeywell's purchase of its common stock, par value $1 per share, for the three months ended December 31, 2011:

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs (Dollars in millions)
November 2011	1,250,000	$ 52.67	1,250,000	$ 1,925
December 2011	200,000	$ 50.09	200,000	$ 1,915

Performance Graph

The following graph compares the five-year cumulative total return on our Common Stock to the total returns on the Standard & Poor's 500 Stock Index and a composite of Standard & Poor's Industrial Conglomerates and Aerospace and Defense indices, on a 60%/40% weighted basis, respectively (the "Composite Index"). The weighting of the components of the Composite Index are based on our segments' relative contribution to total segment profit. The selection of the Industrial Conglomerates component of the Composite Index reflects the diverse and distinct range of non-aerospace businesses conducted by Honeywell. The annual changes for the five-year period shown in the graph are based on the assumption that $100 had been invested in Honeywell stock and each index on December 31, 2006 and that all dividends were reinvested.



	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011
Honeywell	100	138.64	75.77	93.82	130.89	137.22
S&P 500 Index®	100	105.49	66.46	84.05	96.71	98.76
Composite Index	100	110.34	60.12	69.70	81.74	83.81

The Consumer Products Group (CPG) automotive aftermarket business had historically been part of the Transportation Systems reportable segment. In accordance with generally accepted accounting principles, CPG is presented as discontinued operations in all periods presented. See Note 2 Acquisitions and Divestitures for further details. This selected financial data should be read in conjunction with Honeywell's Consolidated Financial Statements and related Notes included elsewhere in this Annual Report as well as the section of this Annual Report titled Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2011	2010	2009	2008	2007
	(Dollars in millions, except per share amounts)				
Results of Operations					
Net sales	$ 36,529	$ 32,350	$ 29,951	$ 35,520	$ 33,462
Amounts attributable to Honeywell:					
Income from continuing operations less net income attributable to the noncontrolling interest	1,858	1,944	1,492	789	2,535
Income from discontinued operations(1)	209	78	56	17	59
Net income attributable to Honeywell(2)	2,067	2,022	1,548	806	2,594
Earnings Per Common Share					
Basic:					
Income from continuing operations	2.38	2.51	1.99	1.07	3.31
Income from discontinued operations	0.27	0.10	0.07	0.02	0.08
Net income attributable to Honeywell	2.65	2.61	2.06	1.09	3.39
Assuming dilution:					
Income from continuing operations	2.35	2.49	1.98	1.06	3.27
Income from discontinued operations	0.26	0.10	0.07	0.02	0.08
Net income attributable to Honeywell	2.61	2.59	2.05	1.08	3.35
Dividends per share	1.37	1.21	1.21	1.10	1.00
Financial Position at Year-End					
Property, plant and equipment—net	4,804	4,724	4,847	4,934	4,985
Total assets	39,808	37,834	35,993	35,570	33,805
Short-term debt	674	889	1,361	2,510	2,238
Long-term debt	6,881	5,755	6,246	5,865	5,419
Total debt	7,555	6,644	7,607	8,375	7,657
Shareowners' equity	10,902	10,787	8,971	7,140	9,293

(1) For the year ended December 31, 2011, Income from discontinued operations includes a $178 million, net of tax gain, resulting from the sale of the CPG business which funded a portion of the 2011 repositioning actions.

(2) For the year ended December 31, 2008, Net income attributable to Honeywell includes a $417 million, net of tax gain, resulting from the sale of our Consumables Solutions business as well as a charge of $465 million for environmental liabilities deemed probable and reasonably estimable during 2008.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions, except per share amounts)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. ("Honeywell") for the three years ended December 31, 2011. All references to Notes related to Notes to the Financial Statements in "Item 8-Financial Statements and Supplementary Data".

The Consumer Products Group (CPG) automotive aftermarket business had historically been part of the Transportation Systems reportable segment. In accordance with generally accepted accounting principles, CPG results are excluded from continuing operations and are presented as discontinued operations in all periods presented. See Note 2 Acquisitions and Divestitures for further details.

CONSOLIDATED RESULTS OF OPERATIONS

Net Sales

	2011	2010	2009
Net sales	$ 36,529	$ 32,350	$ 29,951
% change compared with prior period	13%	8%	

The change in net sales compared to the prior year period is attributable to the following:

	2011 Versus 2010	2010 Versus 2009
Volume	6%	5%
Price	2%	2%
Acquisitions/Divestitures	3%	1%
Foreign Exchange	2%	0%
	13%	8%

A discussion of net sales by segment can be found in the Review of Business Segments section of this MD&A.

Cost of Products and Services Sold

	2011	2010	2009
Cost of products and services sold	$ 28,556	$ 24,721	$ 23,260
% change compared with prior period	16%	6%	
Gross Margin percentage	21.8%	23.6%	22.3%

Cost of products and services sold increased by $3,835 million or 16 percent in 2011 compared with 2010 principally due to an estimated increase in direct material costs, labor costs and indirect costs of approximately $2 billion, $520 million, and $280 million, respectively, driven substantially by a 13 percent increase in sales as a result of the factors (excluding price) discussed above and in the Review of Business Segments section of this MD&A, an increase in pension and other postretirement expense of approximately $880 million (primarily driven by the increase in the pension mark-to-market adjustment allocated to cost of goods sold of $1.1 billion) and an increase in repositioning and other charges of approximately $90 million.

Gross margin percentage decreased by 1.8 percentage points in 2011 compared with 2010 primarily due to higher pension and other postretirement expense (approximate 2.8 percentage point impact primarily driven by an unfavorable 3.3 percentage point impact resulting from the increase in the pension mark-to-market adjustment allocated to cost of goods sold) and repositioning and other charges (approximate 0.2 percentage point impact), partially offset by higher sales volume driven by each of our business segments (approximate 1.2 percentage point impact).

Cost of products and services sold increased by $1,461 million or 6 percent in 2010 compared with 2009, principally due to an estimated increase in direct material costs and indirect costs of approximately $1,250 million and $300 million, respectively, driven substantially by an 8 percent increase in sales as a result of the factors discussed above and in the Review of Business Segments section of this MD&A and approximately $130 million increase in repositioning and other charges (see Note 3 of Notes to Financial Statements), partially offset by a $300 million decrease in pension expense.

Gross margin percentage increased by 1.3 percentage points in 2010 compared with 2009, primarily due to lower pension expense (approximate 1 percentage point impact) and higher sales volume driven by our Automation and Control Solutions segment, Performance Materials and Technologies segment and Transportation Systems segment (approximate 0.7 percentage point impact), partially offset by higher repositioning and other charges (approximate 0.5 percentage point impact).

Selling, General and Administrative Expenses

	2011	2010	2009
Selling, general and administrative expense	$ 5,399	$ 4,618	$ 4,323
Percent of sales	14.8%	14.3%	14.4%

Selling, general and administrative expenses (SG&A) increased as a percentage of sales by 0.5 percent in 2011 compared to 2010 driven by an estimated $430 million increase in labor costs resulting from acquisitions, investment for growth, and merit increases, an estimated increase of $240 million in pension and other postretirement expense (driven primarily by the allocated portion of the pension mark-to-market charge increase of approximately $270 million) and an estimated increase of $60 million in repositioning actions, partially offset by the impact of higher sales volume as a result of the factors discussed in the Review of Business Segments section of this MD&A.

Selling, general and administrative expenses (SG&A) decreased as a percentage of sales by 0.1 percent in 2010 compared to 2009 driven by the impact of higher sales volume, discussed above, and lower pension expense, partially offset by an estimated $500 million increase in labor costs (reflecting the absence of prior period labor cost actions).

Other (Income) Expense

	2011	2010	2009
Equity (income)/loss of affiliated companies	$ (51)	$ (28)	$ (26)
Gain on sale of non-strategic businesses and assets	(61)	—	(87)
Interest income	(58)	(39)	(33)
Foreign exchange	50	12	45
Other, net	36	(42)	47
	$ (84)	$ (97)	$ (54)

Other income decreased by $13 million in 2011 compared to 2010 due primarily to a $29 million loss resulting from early redemption of debt in the first quarter of 2011, included within "Other, net", and the absence of a $62 million pre-tax gain related to the consolidation of a joint venture within our Performance Materials and Technologies segment in the third quarter of 2010, included within "Other, net", (see Note 4 of Notes to Financial Statements for further details), partially offset by a $61 million increase in gain on sale of non-strategic businesses and assets due primarily to a $50 million pre-tax gain related to the divestiture of the automotive on-board sensors products business within our Automation and Control Solutions segment and the reduction of approximately $12 million of acquisition related costs compared to 2010 included within "Other, net".

Other income increased by $43 million in 2010 compared to 2009 primarily due to the consolidation of a joint venture resulting in a $62 million pre-tax gain within our Performance Materials and Technologies segment in the third quarter of 2010, included in "Other, net" (see Note 4 of Notes to Financial Statements for further details), the absence of an other-than-temporary impairment charge of$62 million in the second quarter of 2009, included within "Other, net", partially offset by the absence of a $50 million deconsolidation gain related to a subsidiary within our Automation and Control Solutions segment in 2009, included within "Gain on sale of non-strategic businesses and assets", and $22 million of acquisition related costs in 2010, included within "Other, net".

Interest and Other Financial Charges

	2011	2010	2009
Interest and other financial charges	$ 376	$ 386	$ 458
% change compared with prior period	(3)%	(16)%	

Interest and other financial charges decreased by 3% percent in 2011 compared with 2010 primarily due to lower borrowing costs, partially offset by higher debt balances.

Interest and other financial charges decreased by 16% percent in 2010 compared with 2009 due to lower debt balances and lower borrowing costs.

Tax Expense

	2011	2010	2009
Tax expense	$ 417	$ 765	$ 436
Effective tax rate	18.3%	28.1%	22.2%

The effective tax rate decreased by 9.8 percentage points in 2011 compared with 2010 primarily due to a change in the mix of earnings between U.S. and foreign related to higher U.S. pension expense (primarily driven by an approixmate 7.6 percentage point impact which resulted from the increase in pension mark-to-market expense), an increased benefit from manufacturing incentives, an increased benefit from the favorable settlement of tax audits and an increased benefit from a lower foreign effective tax rate. The foreign effective tax rate was 21.1 percent, a decrease of approximately 4.9 percentage points which primarily consisted of (i) a 5.1 percent impact from decreased valuation allowances on net operating losses primarily due to an increase in German earnings available to be offset by net operating loss carry forwards, (ii) a 2.4 percent impact from tax benefits related to foreign exchange and investment losses, iii) a 1.2 percent impact from an increased benefit in tax credits and lower statutory tax rates, and (iv) a 4.1 percent impact related to an increase in tax reserves. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign rates.

The effective tax rate increased by 5.9 percentage points in 2010 compared with 2009 primarily due to a change in the mix of earnings related to lower U.S. pension expense, the impact of an enacted change in the tax treatment of the Medicare Part D program, the absence of manufacturing incentives, a decreased impact from the settlement of audits and an increase in the foreign effective tax rate. The foreign effective tax rate increased by approximately 7 percentage points which primarily consisted of i) a 6 percentage point impact from the absence of tax benefits related to foreign exchange and investment losses and ii) a (0.1) percentage points impact from increased valuation allowances on net operating losses. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign rates.

In 2012, the effective tax rate could change based upon the Company's operating results, mix of earnings and the outcome of tax positions taken regarding previously filed tax returns currently under audit by various Federal, State and foreign tax authorities, several of which may be finalized in the foreseeable future. The Company believes that it has adequate reserves for these matters, the outcome of which could materially impact the results of operations and operating cash flows in the period they are resolved.

Net Income Attributable to Honeywell

	2011	2010	2009
Amounts attributable to Honeywell			
Income from continuing operations	$ 1,858	$ 1,944	$ 1,492
Income from discontinued operations	209	78	56
Net income attributable to Honeywell	$ 2,067	$ 2,022	$ 1,548
Earnings per share of common stock – assuming dilution			
Income from continuing operations	$ 2.35	$ 2.49	$ 1.98
Income from discontinued operations	0.26	0.10	0.07
Net income attributable to Honeywell	$ 2.61	$ 2.59	$ 2.05

Earnings per share of common stock – assuming dilution increased by $0.02 per share in 2011 compared with 2010 primarily due to an increase in segment profit in each of our business segments, lower tax expense, the gain on disposal of discontinued operations, and lower other postretirement expense, partially offset by higher pension expense (primarily due to an increase in the pension mark-to-market adjustment) and higher repositioning and other charges.

Earnings per share of common stock – assuming dilution increased by $0.54 per share in 2010 compared with 2009 primarily due to increased segment profit in our Automation and Control Solutions, Performance Materials and Technologies and Transportation Systems segments and lower pension expense, partially offset by higher tax expense and higher repositioning and other charges.

For further discussion of segment results, see "Review of Business Segments".

BUSINESS OVERVIEW

This Business Overview provides a summary of Honeywell and its four reportable operating segments (Aerospace, Automation and Control Solutions, Performance Materials and Technologies and Transportation Systems), including their respective areas of focus for 2012 and the relevant economic and other factors impacting their results, and a discussion of each segment's results for the three years ended December 31, 2011. Each of these segments is comprised of various product and service classes that serve multiple end markets. See Note 23 to the financial statements for further information on our reportable segments and our definition of segment profit.

Economic and Other Factors

In addition to the factors listed below with respect to each of our operating segments, our consolidated operating results are principally driven by:

- Impact of change in global economic growth rates (U.S., Europe and emerging regions) and industry conditions on demand in our key end markets;
- Overall sales mix, in particular the mix of Aerospace original equipment and aftermarket sales and the mix of Automation and Control Solutions (ACS) products, distribution and services sales;
- The extent to which cost savings from productivity actions are able to offset or exceed the impact of material and non-material inflation;
- The impact of the pension discount rate and asset returns on pension expense, including mark-to-market adjustments, and funding requirements; and
- The impact of fluctuations in foreign currency exchange rates (Euro and other global currencies), relative to the U.S. dollar.

Areas of Focus for 2012

The areas of focus for 2012, which are generally applicable to each of our operating segments, include:

- Driving profitable growth and margin expansion by building innovative products that address customer needs;

- Achieving sales growth, technological excellence and manufacturing capability and capacity through global expansion, especially focused on emerging regions in China, India, the Middle East and other high growth regions;
- Proactively managing raw material costs through formula and long term supply agreements, price increases and hedging activities, where feasible;
- Driving cash flow conversion through effective working capital management and capital investment in our businesses, thereby enhancing liquidity, repayment of debt, strategic acquisitions, and the ability to return value to shareholders;
- Maintaining a flexible cost structure to ensure our ability to proactively respond to trends in short-cycle end markets such as the Transportation Systems Turbo business, ACS Energy, Safety & Security businesses, Aerospace commercial after-market and Performance Materials and Technologies Advanced Materials business;
- Aligning and prioritizing investments in long-term growth considering short-term demand volatility;
- Driving productivity savings through execution of repositioning actions;
- Controlling discretionary spending levels with focus on non-customer related costs;
- Utilizing our enablers Honeywell Operating System (HOS), Functional Transformation and Velocity Product Development (VPD) to drive margin expansion by standardizing the way we work, reducing cycle time, optimizing effectiveness of R&D, increasing quality and reducing the costs of product manufacturing, reducing costs and enhancing the quality of our administrative functions and improving business operations through investments in systems and process improvements;
- Monitoring both suppliers and customers for signs of liquidity constraints, limiting exposure to any resulting inability to meet delivery commitments or pay amounts due, and identifying alternate sources of supply as necessary; and
- Controlling Corporate costs, including costs incurred for asbestos and environmental matters, pension and other post-retirement expenses and tax expense.

Review of Business Segments

	2011	2010	2009
Net Sales			
Aerospace			
Product	$ 6,494	$ 5,868	$ 5,930
Service	4,981	4,815	4,833
Total	11,475	10,683	10,763
Automation and Control Solutions			
Product	13,328	11,733	10,699
Service	2,207	2,016	1,912
Total	15,535	13,749	12,611
Performance Materials and Technologies			
Product	5,064	4,449	3,895
Service	595	277	249
Total	5,659	4,726	4,144
Transportation Systems			
Product	3,859	3,192	2,432
Service	—	—	—
Total	3,859	3,192	2,432
Corporate			
Product	—	—	—
Service	1	—	1
Total	1	—	1
	$ 36,529	$ 32,350	$ 29,951
Segment Profit			
Aerospace	$ 2,023	$ 1,835	$ 1,893
Automation and Control Solutions	2,083	1,770	1,588
Performance Materials and Technologies	1,042	749	605
Transportation Systems	485	353	61
Corporate	(276)	(222)	(156)
	$ 5,357	$ 4,485	$ 3,991

A reconciliation of segment profit to consolidated income from continuing operations before taxes are as follows:

	Years Ended December 31,		
	2011	2010	2009
Segment Profit	$ 5,357	$ 4,485	$ 3,991
Other income/ (expense)[1]	33	69	28
Interest and other financial charges	(376)	(386)	(458)
Stock compensation expense[2]	(168)	(163)	(117)
Pension expense-ongoing[2]	(105)	(185)	(287)
Pension mark-to-market adjustment[2]	(1,802)	(471)	(741)
Other postretirement income/(expense)[2]	86	(29)	15
Repositioning and other charges [2]	(743)	(598)	(467)
Income from continuing operations before taxes	$ 2,282	$ 2,722	$ 1,964

(1) Equity income/(loss) of affiliated companies is included in Segment Profit.

(2) Amounts included in cost of products and services sold and selling, general and administrative expenses.

	2011	2010	2009	% Change 2011 Versus 2010	% Change 2010 Versus 2009
Aerospace Sales					
Commercial:					
Air transport and regional					
Original equipment	$ 1,439	$ 1,362	$ 1,396	6%	(2)%
Aftermarket	2,828	2,437	2,419	16%	1%
Business and general aviation					
Original equipment	723	513	709	41%	(28)%
Aftermarket	1,207	976	902	24%	8%
Defense and Space Sales	5,278	5,395	5,337	(2)%	1%
Total Aerospace Sales	11,475	10,683	10,763		
Automation and Control Solutions Sales					
Energy Safety & Security	7,977	6,789	5,932	17%	14%
Process Solutions	3,010	2,678	2,507	12%	7%
Building Solutions & Distribution	4,548	4,282	4,172	6%	3%
Total Automation and Control Solutions Sales	15,535	13,749	12,611		
Performance Materials and Technologies Sales					
UOP	1,931	1,556	1,574	24%	(1)%
Advanced Materials	3,728	3,170	2,570	18%	23%
Total Performance Materials and Technologies Sales	5,659	4,726	4,144		
Transportation Systems Sales					
Turbo Technologies	3,859	3,192	2,432	21%	31%
Total Transportation Systems Sales	3,859	3,192	2,432		
Corporate	1	—	1		
Net Sales	$ 36,529	32,350	29,951		

Aerospace

Overview

Aerospace is a leading global supplier of aircraft engines, avionics, and related products and services for aircraft manufacturers, airlines, aircraft operators, military services, and defense and space contractors. Our Aerospace products and services include auxiliary power units, propulsion engines, environmental control systems, electric power systems, engine controls, flight safety, communications, navigation, radar and surveillance systems, aircraft lighting, management and technical services, logistics services, advanced systems and instruments, aircraft wheels and brakes and repair and overhaul services. Aerospace sells its products to original equipment (OE) manufacturers in the air transport, regional, business and general aviation aircraft segments, and provides spare parts and repair and maintenance services for the aftermarket (principally to aircraft operators). The United States Government is a major customer for our defense and space products.

Economic and Other Factors

Aerospace operating results are principally driven by:

- New aircraft production rates and delivery schedules set by commercial air transport, regional jet, business and general aviation OE manufacturers, as well as airline profitability, platform mix and retirement of aircraft from service;
- Global demand for commercial air travel as reflected in global flying hours and utilization rates for corporate and general aviation aircraft, as well as the demand for spare parts and maintenance and repair services for aircraft currently in use;
- Level and mix of U.S. Government appropriations for defense and space programs and military activity;
- Changes in customer platform development schedules, requirements and demands for new technologies; and
- Availability and price volatility of raw materials such as titanium and other metals.

Aerospace

	2011	2010	Change	2009	Change
Net sales	$ 11,475	$ 10,683	7%	$ 10,763	(1)%
Cost of products and services sold	8,665	8,099		8,099	
Selling, general and administrative expenses	591	553		570	
Other	196	196		201	
Segment profit	$ 2,023	$ 1,835	10%	$ 1,893	(3)%

	2011 vs. 2010		2010 vs. 2009	
Factors Contributing to Year-Over-Year Change	**Sales**	**Segment Profit**	**Sales**	**Segment Profit**
Organic growth/ Operational segment profit	7%	9%	0%	0%
Acquisitions and divestitures, net	0%	0%	0%	0%
Other	0%	1%	(1)%	(3)%
Total % Change	7%	10%	(1)%	(3)%

Aerospace sales by major customer end-markets were as follows:

	% of Aerospace Sales			% Change in Sales	
Customer End-Markets	**2011**	**2010**	**2009**	**2011 Versus 2010**	**2010 Versus 2009**
Commercial:					
Air transport and regional					
Original equipment	13%	13%	13%	6%	(2)%
Aftermarket	25%	23%	22%	16%	1%
Business and general aviation					
Original equipment	6%	5%	7%	41%	(27)%
Aftermarket	11%	9%	8%	24%	8%
Defense and Space	45%	50%	50%	(2)%	1%
Total	100%	100%	100%	7%	(1)%

2011 compared with 2010

Aerospace sales increased by 7 percent in 2011 compared with 2010 primarily due to an increase in organic growth of 7 percent primarily due to increased commercial sales volume.

Details regarding the changes in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales increased by 6 percent in 2011 primarily driven by higher sales to our OE customers, consistent with higher production rates, platform mix and a higher win rate on selectables (components selected by purchasers of new aircraft).
- Air transport and regional aftermarket sales increased by 16 percent for 2011 primarily due to (i) increased maintenance activity and spare parts sales driven by an approximately 6 percent increase in global flying hours, (ii) increased sales of avionics upgrades, and (iii) changes in customer buying patterns relating to spare parts and maintenance activity.
- Business and general aviation OE sales increased by 41 percent in 2011 due to a rebound from near trough levels in 2010 and strong demand in the business jet end market, favorable platform mix, growth from acquisitions and lower OEM Payments (as defined below) during 2011.
- Business and general aviation aftermarket sales increased by 24 percent in 2011 primarily due to increased sales of spare parts and revenue associated with maintenance service agreements.
- Defense and space sales decreased by 2 percent in 2011 primarily due to anticipated program ramp downs, partially offset by higher domestic and international aftermarket sales, increased unmanned aerial vehicle (UAV) shipments and the EMS acquisition (refer to Note 2).

Aerospace segment profit increased by 10 percent in 2011 compared with 2010 primarily due to an increase in operational segment profit of 9 percent and an increase of 1 percent due to lower OEM Payments made during 2011. The increase in operational segment profit is comprised of the positive impact from higher commercial aftermarket demand, price and productivity, net of inflation, partially offset by research, development and engineering investments. Cost of goods sold totaled $8.7 billion in 2011, an increase of approximately $566 million from 2010 which is primarily a result of the factors discussed above.

2010 compared with 2009

Aerospace sales decreased by 1 percent in 2010 compared with 2009 primarily due to a 1 percent reduction of revenue related to amounts recognized for payments to business and general aviation original equipment manufacturers to partially offset their pre-production costs associated with new aircraft platforms (OEM Payments).

Details regarding the decrease in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales decreased by 2 percent in 2010 primarily due to lower sales to our air transport OE customers.
- Air transport and regional aftermarket sales increased by 1 percent in 2010 primarily due to increased sales of spare parts driven by the impact of increased flying hours of approximately 6 percent in 2010.
- Business and general aviation OE sales decreased by 27 percent in 2010 due to decreases in new business jet deliveries reflecting rescheduling and cancellations of deliveries by OE customers in the first six months and the impact of the OEM Payments discussed above.
- Business and general aviation aftermarket sales increased by 8 percent in 2010 primarily due to increased sales of spare parts due to higher engine utilization, partially offset by lower revenue associated with licensing and maintenance service agreements.
- Defense and space sales increased by 1 percent in 2010 primarily due to higher sales of logistics services partially offset by program wind-downs and completions and lower sales related to commercial helicopters.

Aerospace segment profit decreased by 3 percent in 2010 compared to 2009 primarily due to a negative 3 percent impact from the OEM payments, discussed above. Operational segment profit was flat in 2010 with the approximate positive 4 percent impact from price and productivity, net of inflation (including the absence of prior period labor cost actions offset by the benefits from prior repositioning actions) offset by an approximate negative 4 percent impact from lower sales volume. Cost of goods sold totaled $8.1 billion in 2010, unchanged from 2009.

2012 Areas of Focus

Aerospace's primary areas of focus for 2012 include:

- Driving customer satisfaction through operational excellence (product quality, cycle time reduction, and supplier management);
- Aligning research and development and customer support costs with customer requirements and demand for new platforms;
- Expanding sales and operations in international locations;
- Global pursuit of new defense and space programs;
- Focusing on cost structure initiatives to maintain profitability in face of potential defense and space budget reductions and program specific appropriations;
- Continuing to design equipment that enhances the safety, performance and durability of aerospace and defense equipment, while reducing weight and operating costs; and
- Continued deployment and optimization of our common enterprise resource planning (ERP) system.

Automation and Control Solutions (ACS)

Overview

ACS provides innovative products and solutions that make homes, buildings, industrial sites and infrastructure more efficient, safe and comfortable. Our ACS products and services include controls for heating, cooling, indoor air quality, ventilation, humidification, lighting and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance; remote patient monitoring systems; products for automatic identification and data collection, installation, maintenance and upgrades of systems that keep buildings safe, comfortable and productive; and automation and control solutions for industrial plants, including advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings as well as equipment that controls, measures and analyzes natural gas production and transportation.

In 2011, we changed our presentation of ACS's segment sales to better represent the key markets served (Energy, Safety & Security; Process Solutions; Building Solutions & Distribution). Prior period disclosure below has been conformed to this presentation format.

Economic and Other Factors

ACS's operating results are principally driven by:

- Global commercial construction (including retrofits and upgrades);
- Demand for residential security and environmental control retrofits and upgrades;
- Demand for energy efficient products and solutions;
- Industrial production;
- Government and public sector spending;
- Economic conditions and growth rates in developed (U.S. and Europe) and emerging markets;
- The strength of global capital and operating spending on process (including petrochemical and refining) and building automation;
- Inventory levels in distribution channels; and
- Changes to energy, fire, security, health care, safety and environmental concerns and regulations.

Automation and Control Solutions

	2011	2010	Change	2009	Change
Net sales	$ 15,535	$ 13,749	13%	$ 12,611	9%
Cost of products and services sold	10,448	9,312		8,561	
Selling, general and administrative expenses	2,819	2,480		2,256	
Other	185	187		206	
Segment profit	$ 2,083	$ 1,770	18%	$ 1,588	11%

	2011 vs. 2010		2010 vs. 2009	
Factors Contributing to Year-Over-Year Change	**Sales**	**Segment Profit**	**Sales**	**Segment Profit**
Organic growth/ Operational segment profit	5%	9%	6%	9%
Foreign exchange	2%	3%	0%	0%
Acquisitions and divestitures, net	6%	6%	3%	2%
Total % Change	13%	18%	9%	11%

2011 compared with 2010

Automation and Control Solutions ("ACS") sales increased by 13 percent in 2011 compared with 2010, primarily due to a 6 percent growth from acquisitions, net of divestitures, 5 percent increase in organic revenue driven by increased sales volume and higher prices and 2 percent favorable impact of foreign exchange through the first nine months partially offset by the negative impact of foreign exchange in the fourth quarter. We expect sales growth to continue to moderate in the first quarter of 2012 due to European economic conditions and the anticipated negative impact of foreign exchange.

- Sales in our Energy, Safety & Security businesses increased by 17 percent (6 percent organically) in 2011 principally due to (i) the positive impact of acquisitions (most significantly Sperian and EMS), net of divestitures (ii) higher sales volume due to general industrial recovery and new product introductions and (iii) the favorable impact of foreign exchange.

- Sales in our Process Solutions increased 12 percent (6 percent organically) in 2011 principally due to (i) increased volume reflecting conversion to sales from backlog (ii) the favorable impact of foreign exchange and (iii) the impact of acquisitions. Orders increased in 2011 compared to 2010 primarily driven by continued favorable macro trends in oil and gas infrastructure projects, growth in emerging regions and the positive impact of foreign exchange.

- Sales in our Building Solutions & Distribution increased by 6 percent (4 percent organically) in 2011 driven principally due to (i) volume growth in our Building Solutions business reflecting conversion to sales from order backlog and increased sales volume in our Distribution business (ii) the favorable impact of foreign exchange and (iii) the impact of acquisitions, net of divestitures.

ACS segment profit increased by 18 percent in 2011 compared with 2010 due to a 9 percent increase in operational segment profit, 6 percent increase from acquisitions, net of divestitures and 3 percent positive impact of foreign exchange. The increase in operational segment profit is comprised of an approximate 5 percent positive impact from price and productivity, net of inflation and investment for growth and a 4 percent positive impact from higher sales volumes. Cost of goods sold totaled $10.4 billion in 2011, an increase of approximately $1.1 billion which is primarily due to acquisitions, net of divestitures, higher sales volume, foreign exchange and inflation partially offset by positive impact from productivity.

2010 compared with 2009

ACS sales increased by 9 percent in 2010 compared with 2009, primarily due to a 6 percent increase in organic revenue driven by increased sales volume and 3 percent growth from acquisitions.

- Sales in our Energy, Safety & Security businesses increased by 14 percent in 2010 primarily reflecting higher sales volumes in our businesses tied to industrial production (environmental and combustion controls, sensing and control, gas detection, personal protective equipment and scanning and mobility products), new product introductions and acquisitions, primarily Sperian.
- Sales in Process Solutions increased 7 percent in 2010 primarily due to the positive impact of increased volume, acquisitions (primarily the RMG Group), higher prices and industrial field solutions driven by order growth and conversion to sales from order backlog.
- Sales in Building Solutions & Distribution increased by 3 percent in 2010 driven primarily by energy efficiency projects and conversion to sales from order backlog.

ACS segment profit increased by 11 percent in 2010 compared with 2009 due to a 9 percent increase in operational segment profit and 2 percent increase from acquisitions. The increase in operational segment profit is comprised of an approximate 18 percent positive impact from higher sales volume, partially offset by an approximate 9 percent negative impact from inflation, net of price and productivity (including the absence of prior period labor cost actions, partially offset by the benefits of prior repositioning). Cost of goods sold totaled $9.3 billion in 2010, an increase of approximately $750 million which is primarily as a result of the factors discussed above.

2012 Areas of Focus

ACS's primary areas of focus for 2012 include:

- Products and solutions for energy efficiency and asset management;
- Extending technology leadership: lowest total installed cost and integrated product solutions;
- Defending and extending our installed base through customer productivity and globalization;
- Sustaining strong brand recognition through our brand and channel management;
- Continued centralization and standardization of global software development capabilities;
- Continuing to identify, execute and integrate acquisitions in or adjacent to the markets which we serve;
- Continuing to establish and grow emerging markets presence and capability;
- Continuing to invest in new product development and introductions;
- Continued deployment and optimization of our common ERP system; and
- Increased focus on commercial and R&D effectiveness.

Performance Materials and Technologies (PMT)

Overview

During the fourth quarter of 2011, the Specialty Materials segment was renamed to Performance Materials and Technologies (PMT'). PMT better reflects the businesses' expanded set of technology and product offerings that reach far beyond the traditional scope associated with specialty materials.

Performance Materials and Technologies develops and manufactures high-purity, high-quality and high-performance chemicals and materials for applications in the refining, petrochemical, automotive, healthcare, agricultural, packaging, refrigeration, appliance, housing, semiconductor, wax and adhesives segments. Performance Materials and Technologies also provides process technology, products and services for the petroleum refining, gas processing, petrochemical, renewable energy and other industries. Performance Materials and Technologies' product portfolio includes fluorocarbons, hydrofluoroolefins, caprolactam, resins, ammonium sulfate for fertilizer, phenol, specialty films, waxes, additives, advanced fibers, customized research chemicals and intermediates, electronic materials and chemicals, catalysts, and adsorbents.

Economic and Other Factors

Performance Materials and Technologies operating results are principally driven by:

- Level and timing of capital spending and capacity and utilization rates in refining and petrochemical end markets;
- Pricing volatility and industry supply conditions for raw materials such as cumene, fluorspar, perchloroethylene, R240, natural gas, sulfur and ethylene;
- Impact of environmental and energy efficiency regulations;
- Extent of change in order rates from global semiconductor customers;
- Global demand for non-ozone depleting Hydro fluorocarbons (HFCs);
- Condition of the U.S. residential housing and non residential industries and automotive demand;
- Global demand for caprolactam and ammonium sulfate; and
- Demand for new products including renewable energy and biofuels.

Performance Materials and Technologies

	2011	2010	Change	2009	Change
Net sales	$ 5,659	$ 4,726	20%	$ 4,144	14%
Cost of products and services sold	4,151	3,554		3,127	
Selling, general and administrative expenses	420	345		345	
Other	46	78		67	
Segment profit	$ 1,042	$ 749	39%	$ 605	24%

	2011 vs. 2010		2010 vs. 2009	
Factors Contributing to Year-Over-Year Change	**Sales**	**Segment Profit**	**Sales**	**Segment Profit**
Organic growth/ Operational segment profit	16%	38%	14%	25%
Foreign exchange	1%	1%	0%	(1)%
Acquisitions and divestitures, net	3%	0%	0%	0%
Total % Change	20%	39%	14%	24%

2011 compared with 2010

PMT sales increased by 20 percent in 2011 compared with 2010 due to a 16 percent increase in organic growth, 3 percent growth from acquisitions, and a 1 percent favorable impact of foreign exchange.

- Advanced Materials sales increased by 18 percent (12 percent organically) in 2011 compared to 2010 primarily driven by (i) a 33 percent (18 percent organically) increase in Resins and Chemicals sales primarily due to higher prices driven by strong Asia demand, agricultural demand, formula pricing arrangements and increased sales resulting from the acquisition of a phenol plant, partially offset by decreased volumes primarily due to disruptions in phenol supply and weather related events, (ii) a 10 percent increase in our Fluorine Products business due to higher pricing reflecting robust global demand and tight industry supply conditions primarily in the first half of the year, which moderated in the second half of the year due to seasonally weaker demand and increased available capacity in the marketplace, (iii) a 12 percent increase in Specialty Products sales primarily due to higher sales volume in our armor, additives, and healthcare packaging products, and commercial excellence initiatives. We expect Advanced Materials sales growth to continue to moderate during the first half of 2012 due to slowing global demand and lower prices resulting from increased availability of refrigerants supply.

- UOP sales increased by 24 percent in 2011 compared to 2010 primarily driven by increased service, and licensing revenues and higher unit sales of refining and specialty catalysts, primarily reflecting continued strength in the refining and petrochemical industries.

PMT segment profit increased by 39 percent in 2011 compared with 2010 due to a 38 percent increase in operational segment profit and a 1 percent favorable impact of foreign exchange. The increase in operational segment profit is primarily due to the favorable price to raw materials spread in Resins and Chemicals and Fluorine Products and higher service, product and licensing revenues in UOP, partially offset by continued investment in growth and plant optimization initiatives. Cost of goods sold totaled $4.2 billion in 2011, an increase of approximately $597 million which is primarily due to volume, material inflation, the phenol plant acquisition and continued investment in growth initiatives.

2010 compared with 2009

PMT sales increased by 14 percent in 2010 compared with 2009 predominantly due to organic growth.

- Advanced Materials sales increased by 23 percent in 2010 compared to 2009 primarily driven by (i) a 29 percent increase in Resins and Chemicals sales primarily due to higher prices driven by strong Asia demand, formula pricing arrangements and agricultural demand, (ii) a 21 percent increase in Specialty Products sales most significantly due to higher sales volume to our semiconductor, specialty additives, advanced fiber industrial applications and specialty chemicals customers, (iii) a 19 percent increase in our Fluorine Products business due to higher sales volume from increased demand for our refrigerants, insulating materials and industrial processing aids.

- UOP sales decreased by 1 percent in 2010 compared to 2009 primarily driven by lower new unit catalyst sales and timing of projects activity in the refining and petrochemical industries, partially offset by increased gas processing equipment sales.

PMT segment profit increased by 24 percent in 2010 compared with 2009 due to a 25 percent increase in operational segment profit. The increase in operational segment profit is primarily due to a 24 percent positive impact from higher sales volumes. The positive impact from price and productivity was offset by the negative impact from inflation (including the absence of prior period labor cost actions). Cost of goods sold totaled $3.6 billion in 2010, an increase of approximately $400 million which is primarily as a result of the factors discussed above.

2012 Areas of Focus

Performance Materials and Technologies primary areas of focus for 2012 include:

- Continuing to develop new processes, products and technologies that address energy efficiency, the environment and security, as well as position the portfolio for higher value;
- Commercializing new products and technologies in the petrochemical, gas processing and refining industries and renewable energy sector;
- Investing to increase plant capacity and reliability and improving productivity and quality through operational excellence;
- Driving sales and marketing excellence and expanding local presence in fast growing emerging markets; and
- Managing exposure to raw material price and supply fluctuations through evaluation of alternative sources of supply and contractual arrangements.

Transportation Systems

Overview

Transportation Systems provides automotive products that improve the performance and efficiency of cars, trucks, and other vehicles through state-of-the-art technologies, world class brands and global solutions to customers' needs. Transportation Systems' products include turbochargers and thermal systems; and friction materials (Bendix(R) and Jurid(R)) and brake hard parts. Transportation Systems sells its products to original equipment ("OE") automotive and truck manufacturers (e.g., BMW, Caterpillar, Daimler, Renault, Ford, and Volkswagen), wholesalers and distributors and through the retail aftermarket.

Economic and Other Factors

Transportation Systems operating results are principally driven by:

- Financial strength and stability of automotive OE manufacturers;
- Global demand, particularly in Western Europe, for automobile and truck production;
- Turbo penetration rates for new engine platforms;
- Global consumer preferences, particularly in Western Europe, for boosted diesel passenger cars;
- Degree of volatility in raw material prices, including nickel and steel;
- New automobile production rates and the impact of inventory levels of automotive OE manufacturers on demand for our products;
- Regulations mandating lower emissions and improved fuel economy;
- Consumers' ability to obtain financing for new vehicle purchases; and
- Impact of factors such as consumer confidence on automotive aftermarket demand.

Transportation systems

	2011	2010	Change	2009	Change
Net sales	$ 3,859	$ 3,192	21%	$ 2,432	31%
Cost of products and services sold	3,174	2,641		2,190	
Selling, general and administrative expenses	161	149		141	
Other	39	49		40	
Segment profit	$ 485	$ 353	37%	$ 61	479%

	2011 vs. 2010		2010 vs. 2009	
Factors Contributing to Year-Over-Year Change	**Sales**	**Segment Profit**	**Sales**	**Segment Profit**
Organic growth/ Operational segment profit	16%	32%	33%	490%
Foreign exchange	5%	5%	(2)%	(11)%
Total % Change	21%	37%	31%	479%

2011 compared with 2010

Transportation Systems sales increased by 21 percent in 2011 compared with the 2010 primarily due to a 16 percent increase in organic revenue driven by increased sales volume and a favorable impact of foreign exchange of 5 percent.

The sales increase in 2011 as compared with 2010 was primarily driven by (i) increased turbocharger sales to both light vehicle and commercial vehicle engine manufacturers primarily due to new platform launches and strong diesel penetration rates in Western Europe and (ii) the favorable impact of foreign exchange. We expect turbocharger year over year sales growth rate to moderate in the first quarter of 2012 primarily due to reduced European light vehicle production and the anticipated negative impact of foreign exchange.

Transportation Systems segment profit increased by 37 percent in 2011 compared with 2010 due to a 32 percent increase in operational segment profit and a 5 percent favorable impact of foreign exchange. The increase in operational segment profit is comprised of an approximate 25 percent positive impact from productivity, net of inflation and price, and 7 percent positive impact from higher sales volumes. Cost of goods sold totaled $3.2 billion in 2011, an increase of $533 million which is primarily a result of higher sales volume, foreign exchange and inflation, partially offset by positive impact from productivity.

2010 compared with 2009

Transportation Systems sales increased by 31 percent in 2010 compared with the 2009, primarily due to a 33 percent increase in organic revenue driven by increased sales volume, partially offset by an unfavorable impact of foreign exchange of 2 percent.

The sales increase in 2010 as compared with 2009 was primarily due to increased turbocharger sales to both light vehicle and commercial vehicle engine manufacturers partially offset by the negative impacts of foreign exchange.

Transportation Systems segment profit increased by $292 million in 2010 compared with 2009 predominantly due to the positive impact from increased sales volume. Cost of goods sold totaled $2.6 billion in 2010, an increase of approximately $450 million which is also primarily a result of increased sales volume.

2012 Areas of Focus

Transportation Systems primary areas of focus in 2012 include:

- Sustaining superior turbocharger technology through successful platform launches;
- Maintaining the high quality of current products while executing new product introductions;
- Increasing global penetration and share of diesel and gasoline turbocharger OEM demand;
- Addressing capacity challenges and improving cost structure through increasing plant productivity and expansion of global manufacturing footprint;
- Aligning cost structure with current economic outlook, and successful execution of repositioning actions; and
- Aligning development efforts and costs with new turbo platform launch schedules.

Repositioning and Other Charges

See Note 3 to the financial statements for a discussion of repositioning and other charges incurred in 2011, 2010, and 2009. Our repositioning actions are expected to generate incremental pretax savings of approximately $150 million in 2012 compared with 2011 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute our repositioning actions were $159, $147, and $193 million in 2011, 2010, and 2009, respectively. Such expenditures for severance and other exit costs have been funded principally through operating cash flows. Cash expenditures for severance and other costs necessary to execute the remaining actions are expected to be approximately $150 million in 2012 and will be funded through operating cash flows.

The following tables provide details of the pretax impact of total net repositioning and other charges by segment.

	Years Ended December 31, 2011	2010	2009
Aerospace			
Net repositioning charge	$ 29	$ 32	$ 31

	Years Ended December 31, 2011	2010	2009
Automation and Control Solutions			
Net repositioning charge	$ 191	$ 79	$ 70

	Years Ended December 31, 2011	2010	2009
Performance Materials and Technologies			
Net repositioning charge	$ 41	$ 18	$ 9

	Years Ended December 31, 2011	2010	2009
Transportation Systems			
Net repositioning charge	$ 82	$ 20	$ 50
Asbestos related litigation charges, net of insurance	146	158	112
	$ 228	$ 178	$ 162

	Years Ended December 31, 2011	2010	2009
Corporate			
Net repositioning charge	$ 11	$ —	$ —
Asbestos related litigation charges, net of insurance	3	17	43
Probable and reasonably estimable environmental liabilities	240	212	145
Other	—	62	7
	$ 254	$ 291	$ 195

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to manage its businesses to maximize operating cash flows as the primary source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short-term debt from the commercial paper market, long-term borrowings, and access to the public debt and equity markets, as well as the ability to sell trade accounts receivables. We continue to balance our cash and financing uses through investment in our existing core businesses, acquisition activity, share repurchases and dividends.

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the years ended 2011, 2010 and 2009, are summarized as follows:

	2011	2010	2009
Cash provided by (used for):			
Operating activities	$ 2,833	$ 4,203	$ 3,946
Investing activities	(611)	(2,269)	(1,133)
Financing activities	(1,114)	(2,047)	(2,152)
Effect of exchange rate changes on cash	(60)	(38)	75
Net increase/(decrease) in cash and cash equivalents	$ 1,048	$ (151)	$ 736

2011 compared with 2010

Cash provided by operating activities decreased by $1,370 million during 2011 compared with 2010 primarily due to i) increased voluntary cash contributions of $1,050 million to our U.S. pension plans, ii) an unfavorable impact from decreased deferred taxes (excluding the impact of cash taxes) of approximately $710 million, and iii) higher cash tax payments of approximately $500 million, partially offset by an $863 million increase of net income before the non-cash pension mark-to-market adjustment.

Cash used for investing activities decreased by $1,658 million during 2011 compared with 2010 primarily due to an increase in proceeds from sale of businesses of $1,149 million (most significantly the divestiture of the Consumer Products Group business and the automotive on-board sensor products business within our Automation and Control Solutions segment), a decrease in cash paid for acquisitions of $330 million, and a net $315 million decrease in investments of short-term marketable securities.

Cash used for financing activities decreased by $933 million during 2011 compared to 2010 primarily due to an increase in the net proceeds from debt of $1,734 million and a decrease of $293 million in the payment of debt assumed with acquisitions, partially offset by an increase of $1,085 million of repurchases of common stock.

2010 compared with 2009

Cash provided by operating activities increased by $257 million during 2010 compared with 2009 primarily due to i) increased accrued expenses of $690 million (due to increased customer advances and incentive compensation accruals), ii) a $550 million impact from increased deferred taxes (excluding the impact of cash taxes), iii) increased net income of $474 million, iv) lower cash tax payments of approximately $300 million and v) a $219 million decrease in payments for repositioning and other charges, partially offset by a i) $1,059 unfavorable impact from working capital driven by higher receivables and increased purchases of raw materials and component inventory to support higher demand, partially offset by a corresponding increase to accounts payable, ii) increased pension and other postretirement payments of $598 million and iii) the absence of $155 million sale of long-term receivables in 2009.

Cash used for investing activities increased by $1,136 million during 2010 compared with 2009 primarily due to an increase in cash paid for acquisitions of $835 million (most significantly Sperian Protection), and a net $341 million increase in investments in short-term marketable securities

Cash used for financing activities decreased by $105 million during 2010 compared with 2009 primarily due to a decrease in the net repayment of debt (including commercial paper) of $287 million and an increase in the proceeds from the issuance of common stock, primarily related to stock option exercises of $158 million, partially offset by the repayment of $326 million of debt assumed in the acquisition of Sperian Protection.

Liquidity

Each of our businesses is focused on implementing strategies to increase operating cash flows through revenue growth, margin expansion and improved working capital turnover. Considering the current economic environment in which each of the businesses operate and their business plans and strategies, including the focus on growth, cost reduction and productivity initiatives, the Company believes that cash balances and operating cash flows are the principal source of liquidity. In addition to the available cash and operating cash flows, additional sources of liquidity include committed credit lines, short term debt from the commercial paper markets, long-term borrowings, and access to the public debt and equity markets, as well as the ability to sell trade accounts receivables. At December 31, 2011, a substantial portion of the Company's cash and cash equivalents were held by foreign subsidiaries. If the amounts held outside of the U.S. were to be repatriated, under current law, they would be subject to U.S. federal income taxes, less applicable foreign tax credits. However, our intent is to permanently reinvest these funds outside of the U.S. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated, and the amount of foreign tax credits that would be available to reduce or eliminate the resulting U.S. income tax liability.

A source of liquidity is our ability to issue short-term debt in the commercial paper market. Commercial paper notes are sold at a discount and have a maturity of not more than 365 days from date of issuance. Borrowings under the commercial paper program are available for general corporate purposes as well as for financing potential acquisitions. There was $599 million of commercial paper outstanding at December 31, 2011.

Our ability to access the commercial paper market, and the related cost of these borrowings, is affected by the strength of our credit rating and market conditions. Our credit ratings are periodically reviewed by the major independent debt-rating agencies. As of December 31, 2011, Standard and Poor's (S&P), Fitch, and Moody's have ratings on our long-term debt of A, A and A2 respectively, and short-term debt of A-1, F1 and P1 respectively. S&P, Fitch and Moody's have Honeywell's rating outlook as "stable". To date, the company has not experienced any limitations in our ability to access these sources of liquidity.

We also have a current shelf registration statement filed with the Securities and Exchange Commission under which we may issue additional debt securities, common stock and preferred stock that may be offered in one or more offerings on terms to be determined at the time of the offering. Net proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

As a source of liquidity, we sell interests in designated pools of trade accounts receivables to third parties. As of December 31, 2011 and 2010, none of the receivables in the designated pools had been sold to third parties. When we sell receivables, they are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion, providing us with an additional source of revolving credit. As a result, program receivables remain on the Company's balance sheet with a corresponding amount recorded as either Short-term borrowings or Long-term debt.

In February 2011, the Company issued $800 million 4.25% Senior Notes due 2021 and $600 million 5.375% Senior Notes due 2041 (collectively, the "Notes"). The Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of $1,400 million, offset by $19 million in discount and closing costs related to the offering.

In the first quarter of 2011, the Company repurchased the entire outstanding principal amount of its $400 million 5.625% Notes due 2012 via a cash tender offer and a subsequent optional redemption. The costs relating to the early redemption of the Notes, including the "make-whole premium", was $29 million.

In March 2011, the Company entered into a $2,800 million Five Year Credit Agreement ("Credit Agreement") with a syndicate of banks. Commitments under the Credit Agreement can be increased pursuant to the terms of the Credit Agreement to an aggregate amount not to exceed $3,500 million. The Credit Agreement is maintained for general corporate purposes, including support for the issuance of commercial paper, and replaces the previous $2,800 million five year credit agreement dated May 14, 2007 ("Prior Agreement"). At December 31, 2011, there were no borrowings or letters of credit issued under the credit facility. The credit facility does not restrict Honeywell's ability to pay dividends, nor does it contain financial covenants.

In the fourth quarter of 2011, the Company repaid $500 million of its 6.125% notes at maturity. The repayment was funded with cash provided by operating activities.

We monitor the third-party depository institutions that hold our cash and cash equivalents on a daily basis. Our emphasis is primarily on safety of principal and secondarily on maximizing yield on those funds. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities.

Global economic conditions or a tightening of credit markets could adversely affect our customers' or suppliers' ability to obtain financing, particularly in our long-cycle businesses and airline and automotive end markets. Customer or supplier bankruptcies, delays in their ability to obtain financing, or the unavailability of financing could adversely affect our cash flow or results of operations. To date we have not experienced material impacts from customer or supplier bankruptcy or liquidity issues. We continue to monitor and take measures to limit our exposure.

In February 2011, the Board of Directors authorized the repurchase of up to a total of $3 billion of Honeywell common stock. During 2011, the Company repurchased $1,085 million of outstanding shares to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans (see Part II, Item 5 for share repurchases in the fourth quarter of 2011).

In July 2011, the Company sold its Consumer Products Group business (CPG) to Rank Group Limited. The sale was completed for approximately $955 million in cash proceeds, resulting in a pre-tax gain of approximately $301 million and approximately $178 million net of tax. The gain was recorded in net income from discontinued operations after taxes in the Company's Consolidated Statement of Operations for the year ended December 31, 2011. The net income attributable to the non-controlling interest for the discontinued operations is insignificant. The sale of CPG, which had been part of the Transportation Systems segment, is consistent with the Company's strategic focus on its portfolio of differentiated global technologies. See Acquisitions and Divestitures in Note 2 to the financial statements for further discussion.

In August 2011, the Company completed the acquisition of EMS, a leading provider of connectivity solutions for mobile networking, rugged mobile computers and satellite communications. The aggregate value, net of cash acquired, was approximately $513 million. See Acquisitions and Divestitures in Note 2 to the financial statements for further discussion.

In December 2011, the Company acquired King's Safetywear Limited (KSW), a leading international provider of branded safety footwear. The aggregate value, net of cash acquired, was approximately $331 million (including the assumption of debt of $33 million). See Acquisitions and Divestitures in Note 2 to the financial statements for further discussion.

During 2011, the Company made voluntary cash contributions to its U.S. pension plans of $1,650 million to improve the funded status of our plans.

In addition to our normal operating cash requirements, our principal future cash requirements will be to fund capital expenditures, debt repayments, dividends, employee benefit obligations, environmental remediation costs, asbestos claims, severance and exit costs related to repositioning actions, share repurchases and any strategic acquisitions.

Specifically, we expect our primary cash requirements in 2012 to be as follows:

- Capital expenditures—we expect to spend approximately $1.1 billion for capital expenditures in 2012 primarily for growth, production and capacity expansion, cost reduction, maintenance, and replacement.
- Share repurchases— Under the Company's previously reported $3 billion share repurchase program, $1.9 billion remained available as of December 31, 2011 for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time during 2012 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.
- Dividends—we expect to pay approximately $1.2 billion in dividends on our common stock in 2012, reflecting the 12 percent increase in the dividend rate effective with the fourth quarter 2011 dividend.
- Asbestos claims—we expect our cash spending for asbestos claims and our cash receipts for related insurance recoveries to be approximately $240 and $75 million, respectively, in 2012. See Asbestos Matters in Note 21 to the financial statements for further discussion of possible funding obligations in 2012 related to the Narco Trust.
- Pension contributions—In 2012, we plan to make cash contributions of $800 million to $1 billion ($250 million was made in January 2012) to our plans to improve the funded status of the plans. These contributions principally consist of voluntary contributions to our U.S. plans. The timing and amount of contributions may be impacted by a number of factors, including the funded status of the plans.
- Repositioning actions—we expect that cash spending for severance and other exit costs necessary to execute the previously announced repositioning actions will approximate $150 million in 2012.

- Environmental remediation costs—we expect to spend approximately $300 million in 2012 for remedial response and voluntary clean-up costs. See Environmental Matters in Note 21 to the financial statements for additional information.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify businesses that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These businesses are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints. In 2011 we realized $1,156 million in cash proceeds from sales of non-strategic businesses.

Based on past performance and current expectations, we believe that our operating cash flows will be sufficient to meet our future operating cash needs. Our available cash, committed credit lines, access to the public debt and equity markets as well as our ability to sell trade accounts receivables, provide additional sources of short-term and long-term liquidity to fund current operations, debt maturities, and future investment opportunities.

Contractual Obligations and Probable Liability Payments

Following is a summary of our significant contractual obligations and probable liability payments at December 31, 2011:

		Payments by Period			
	Total(6)	2012	2013-2014	2015-2016	Thereafter
Long-term debt, including capitalized leases[1]	$ 6,896	$ 15	$ 1,241	$ 456	$ 5,184
Interest payments on long-term debt, including capitalized leases	2,836	258	420	357	1,801
Minimum operating lease payments	1,213	311	432	227	243
Purchase obligations[2]	1,566	1,086	294	122	64
Estimated environmental liability payments[3]	723	300	285	110	28
Asbestos related liability payments[4]	1,736	237	805	460	234
Asbestos insurance recoveries[5]	780	71	205	122	382
	$ 15,750	$ 2,278	$ 3,682	$ 1,854	$ 7,936

(1) Assumes all long-term debt is outstanding until scheduled maturity.

(2) Purchase obligations are entered into with various vendors in the normal course of business and are consistent with our expected requirements.

(3) The payment amounts in the table only reflect the environmental liabilities which are probable and reasonably estimable as of December 31, 2011. See Environmental Matters in Note 21 to the financial statements for additional information.

(4) These amounts are estimates of asbestos related cash payments for NARCO and Bendix based on our asbestos related liabilities which are probable and reasonably estimable as of December 31, 2011. Except for amounts due upon the effective date of the NARCO Plan of Reorganization ($76 million), we have assumed funding for the NARCO Trust will occur in 2013 and beyond. Projecting the timing of NARCO payments is dependent on, among other things, the effective date of the Trust which could cause the timing of payments to be earlier or later than that projected. Projecting future events is subject to many uncertainties that could cause asbestos liabilities to be higher or lower than those projected and recorded. See Asbestos Matters in Note 21 to the financial statements for additional information.

(5) These amounts represent our insurance recoveries that are deemed probable for asbestos related liabilities as of December 31, 2011. The timing of insurance recoveries are impacted by the terms of insurance settlement agreements, as well as the documentation, review and collection process required to collect on

insurance claims. Where probable insurance recoveries are not subject to definitive settlement agreements with specified payment dates, but instead are covered by insurance policies, we have assumed collection will occur beyond 2016. Projecting the timing of insurance recoveries is subject to many uncertainties that could cause the amounts collected to be higher or lower than those projected and recorded or could cause the timing of collections to be earlier or later than that projected. We reevaluate our projections concerning insurance recoveries in light of any changes or developments that would impact recoveries or the timing thereof. See Asbestos Matters in Note 21 to the financial statements for additional information.

(6) The table excludes $815 million of uncertain tax positions. See Note 6 to the financial statements.

The table also excludes our pension and other postretirement benefits (OPEB) obligations. In 2012, we plan to make cash contributions of $800 million to $1 billion ($250 million was made in January 2012) to our plans to improve the funded status of the plans. These contributions principally consist of voluntary contributions to our U.S. plans. The timing and amount of contributions may be impacted by a number of factors, including the funded status of the plans. Beyond 2012, the actual amounts required to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory actions related to pension funding obligations. Payments due under our OPEB plans are not required to be funded in advance, but are paid as medical costs are incurred by covered retiree populations, and are principally dependent upon the future cost of retiree medical benefits under our plans. We expect our OPEB payments to approximate $167 million in 2012 net of the benefit of approximately $13 million from the Medicare prescription subsidy. See Note 22 to the financial statements for further discussion of our pension and OPEB plans.

Off-Balance Sheet Arrangements

Following is a summary of our off-balance sheet arrangements:

Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2011:

	Maximum Potential Future Payments
Operating lease residual values	$ 43
Other third parties' financing	5
Unconsolidated affiliates' financing	12
Customer financing	13
	$ 73

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly, with other potentially responsible parties, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy (see Note 1 to the financial statements) to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, execution timeframe of projects, remedial techniques to be utilized and agreements with other parties.

Remedial response and voluntary cleanup costs charged against pretax earnings were $240, $225 and $151 million in 2011, 2010 and 2009, respectively. At December 31, 2011 and 2010, the recorded liabilities for environmental matters was $723 and $753 million, respectively. In addition, in 2011 and 2010 we incurred operating costs for ongoing businesses of approximately $102 and $86 million, respectively, relating to compliance with environmental regulations.

Remedial response and voluntary cleanup payments were $270, $266 and $318 million in 2011, 2010 and 2009, respectively, and are currently estimated to be approximately $300 million in 2012. We expect to fund such expenditures from operating cash flow.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that environmental matters will have a material adverse effect on our consolidated financial position.

See Note 21 to the financial statements for a discussion of our commitments and contingencies, including those related to environmental matters and toxic tort litigation.

Financial Instruments

As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments. A summary of our accounting policies for derivative financial instruments is included in Note 1 to the financial statements. We also hold investments in marketable equity securities, which exposes us to market volatility, as discussed in Note 16 to the financial statements.

We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk from changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and anticipated transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. Our principal currency exposures relate to the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee, Singapore dollar, Swedish krona, Korean won and Thai baht.

Our exposure to market risk from changes in interest rates relates primarily to our net debt and pension obligations. As described in Notes 14 and 16 to the financial statements, we issue both fixed and variable rate debt and use interest rate swaps to manage our exposure to interest rate movements and reduce overall borrowing costs.

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and expected future cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

The following table illustrates the potential change in fair value for interest rate sensitive instruments based on a hypothetical immediate one-percentage-point increase in interest rates across all maturities, the potential change in fair value for foreign exchange rate sensitive instruments based on a 10 percent weakening of the U.S. dollar versus local currency exchange rates across all maturities, and the potential change in fair value of contracts hedging commodity purchases based on a 20 percent decrease in the price of the underlying commodity across all maturities at December 31, 2011 and 2010.

	Face or Notional Amount	Carrying Value(1)	Fair Value(1)	Estimated Increase (Decrease) in Fair Value
December 31, 2011				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	$ 6,896	$ (6,896)	$ (7,896)	$ (578)
Interest rate swap agreements	1,400	134	134	(74)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	7,108	(26)	(26)	274
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	59	(9)	(9)	(10)
December 31, 2010				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	$ 6,278	$ (6,278)	$ (6,835)	$ (399)
Interest rate swap agreements	600	22	22	(18)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	5,733	2	2	102
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	23	—	—	(4)

(1) Asset or (liability).

(2) Changes in the fair value of foreign currency exchange contracts are offset by changes in the fair value or cash flows of underlying hedged foreign currency transactions.

(3) Changes in the fair value of forward commodity contracts are offset by changes in the cash flows of underlying hedged commodity transactions.

The above discussion of our procedures to monitor market risk and the estimated changes in fair value resulting from our sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. The methods used by us to assess and mitigate risk discussed above should not be considered projections of future events.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. We consider the accounting policies discussed below to be critical to the understanding of our financial statements. Actual results could differ from our estimates and assumptions, and any such differences could be material to our consolidated financial statements.

We have discussed the selection, application and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors and our Independent Registered Public Accountants. New accounting standards effective in 2011 which had a material impact on our consolidated financial statements are described in the Recent Accounting Pronouncements section in Note 1 to the financial statements.

Contingent Liabilities—We are subject to a number of lawsuits, investigations and claims (some of which involve substantial dollar amounts) that arise out of the conduct of our global business operations or those of previously owned entities, including matters relating to commercial transactions, government contracts, product liability (including asbestos), prior acquisitions and divestitures, employee benefit plans, intellectual property, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Such analysis includes making judgments concerning matters such as the costs associated with environmental matters, the outcome of negotiations, the number and cost of pending and future asbestos claims, and the impact of evidentiary requirements. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments (including new discovery of facts, changes in legislation and outcomes of similar cases through the judicial system), changes in assumptions or changes in our settlement strategy. For a discussion of our contingencies related to environmental, asbestos and other matters, including management's judgment applied in the recognition and measurement of specific liabilities, see Notes 1 and 21 to the financial statements.

Asbestos Related Contingencies and Insurance Recoveries—We are a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrued for pending claims based on terms and conditions in agreements with NARCO, its former parent company, and certain asbestos claimants, and an estimate of the unsettled claims pending as of the time NARCO filed for bankruptcy protection. We also accrued for the estimated value of future NARCO asbestos related claims expected to be asserted against the NARCO trust through 2018 as described in Note 21 to the financial statements. In light of the inherent uncertainties in making long term projections and in connection with the initial operation of a 524(g) trust, as well as the stay of all NARCO asbestos claims since January 2002, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. Regarding Bendix asbestos related claims, we accrued for the estimated value of pending claims using average resolution values for the previous five years. We also accrued for the estimated value of future anticipated claims related to Bendix for the next five years based on historic claims filing experience and dismissal rates, disease classifications, and average resolution values in the tort system for the previous five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years. We will continue to update the resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21 to the financial statements. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers. Our insurance is with both the domestic insurance market and the London excess market. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Projecting future events is subject to various uncertainties that could cause the insurance recovery on asbestos related liabilities to be higher or lower than that projected and recorded. Given the inherent uncertainty in making future projections, we reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability, our recovery experience or other relevant factors that may impact future insurance recoveries. See Note 21 to the financial statements for a discussion of management's judgments applied in the recognition and measurement of insurance recoveries for asbestos related liabilities.

Defined Benefit Pension Plans— We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees.

We recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) annually in the fourth quarter each year (MTM Adjustment). Net actuarial gains and losses occur when the actual experience differs from any of the various assumptions used to value our pension plans or when assumptions change as they may each year. The primary factors contributing to actuarial gains and losses are changes in the discount rate used to value pension obligations as of the measurement date each year and the differences between expected and actual returns on plan assets. This accounting method also results in the potential for volatile and difficult to forecast MTM adjustments. MTM adjustments were $1,802, $471 and $741 million in 2011, 2010 and 2009, respectively. The remaining components of pension expense, primarily service and interest costs and assumed return on plan assets, are recorded on a quarterly basis (On-going Pension Expense).

For financial reporting purposes, net periodic pension expense is calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations and an expected long-term rate of return on plan assets. We determine the expected long-term rate of return on plan assets utilizing historical plan asset returns over varying long-term periods combined with our expectations on future market conditions and asset mix considerations (see Note 22 to the financial statements for details on the actual various asset classes and targeted asset allocation percentages for our pension plans). The discount rate reflects the market rate on December 31 (measurement date) for high-quality fixed-income investments with maturities corresponding to our benefit obligations and is subject to change each year. Further information on all our major actuarial assumptions is included in Note 22 to the financial statements.

The key assumptions used in developing our 2011, 2010 and 2009 net periodic pension expense for our U.S. plans included the following:

	2011	2010	2009
Discount rate	5.25%	5.75%	6.95%
Assets:			
Expected rate of return	8%	9%	9%
Actual rate of return	0%	19%	20%
Actual 10 year average annual compounded rate of return	6%	6%	4%

The discount rate can be volatile from year to year because it is determined based upon prevailing interest rates as of the measurement date. We will use a 4.89 percent discount rate in 2012, reflecting the decrease in the market interest rate environment since December 31, 2010. We plan to continue to use an expected rate of return on plan assets of 8 percent for 2012 as this is a long-term rate based on historical plan asset returns over varying long-term periods combined with our expectations on future market conditions and the asset mix of the plan's investments.

In addition to the potential for MTM adjustments, changes in our expected rate of return on plan assets and discount rate resulting from economic events also affects future on-going pension expense. The following table highlights the sensitivity of our U.S. pension obligations and on-going expense to changes in these assumptions, assuming all other assumptions remain constant. These estimates exclude any potential MTM adjustment:

Change in Assumption	Impact on 2012 On-Going Pension Expense	Impact on PBO
0.25 percentage point decrease in discount rate	Decrease $10 million	Increase $410 million
0.25 percentage point increase in discount rate	Increase $8 million	Decrease $400 million
0.25 percentage point decrease in expected rate of return on assets	Increase $32 million	—
0.25 percentage point increase in expected rate of return on assets	Decrease $32 million	—

On-going pension expense for all of our pension plans is expected to be approximately $60 million in 2012, a decrease of $45 million from 2011, due primarily to the impact of planned cash contributions in 2012. Also, if required, an MTM adjustment will be recorded in the fourth quarter of 2012 in accordance with our pension accounting method as previously described. It is difficult to reliably forecast or predict whether there will be a MTM adjustment in 2012, and if one is required what the magnitude of such adjustment will be. MTM adjustments are primarily driven by events and circumstances beyond the control of the Company such as changes in interest rates and the performance of the financial markets.

In 2011, 2010 and 2009,we were not required to make contributions to satisfy minimum statutory funding requirements in our U.S. pension plans. However, we made voluntary contributions of $1,650, $1,000 and $740 million to our U.S. pension plans in 2011, 2010 and 2009, respectively, primarily to improve the funded status of our plans which has been adversely impacted by relatively low discount rates and asset losses in 2011 and 2008 resulting from the poor performance of the equity markets. In 2012, we plan to make cash contributions of $800 million to $1 billion ($250 million was made in January 2012) to our plans to improve the funded status of the plans. These contributions principally consist of voluntary contributions to our U.S. plans. The timing and amount of contributions may be impacted by a number of factors, including the funded status of the plans.

Long-Lived Assets (including Tangible and Definite-Lived Intangible Assets)—To conduct our global business operations and execute our business strategy, we acquire tangible and intangible assets, including property, plant and equipment and definite-lived intangible assets. At December 31, 2011, the net carrying amount of these long-lived assets totaled approximately $6.5 billion. The determination of useful lives (for depreciation/amortization purposes) and whether or not these assets are impaired involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. We periodically evaluate the recoverability of the carrying amount of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset group may not be fully recoverable. The principal factors we consider in deciding when to perform an impairment review are as follows:

- significant under-performance (i.e., declines in sales, earnings or cash flows) of a business or product line in relation to expectations;
- annual operating plans or five-year strategic plans that indicate an unfavorable trend in operating performance of a business or product line;
- significant negative industry or economic trends; and
- significant changes or planned changes in our use of the assets.

Once it is determined that an impairment review is necessary, recoverability of assets is measured by comparing the carrying amount of the asset grouping to the estimated future undiscounted cash flows. If the carrying amount exceeds the estimated future undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is then measured as the difference between the carrying amount of the asset grouping and its fair value. We endeavor to utilize the best information available to measure fair value, which is usually either market prices (if available), level 1 or level 2 in the fair value hierarchy or an estimate of the future discounted cash flow, level 3 of the fair value hierarchy. The key estimates in our discounted cash flow analysis include expected industry growth rates, our assumptions as to volume, selling prices and costs, and the discount rate selected. As described in more detail in Note 16 to the financial statements, we have recorded impairment charges related to long-lived assets of $127 million and $30 million in 2011 and 2010, respectively, principally related to manufacturing plant and equipment in facilities scheduled to close or be downsized.

Goodwill Impairment Testing—Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. Our Goodwill balance, $11.9 billion as of December 31, 2011, is subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value is reduced to fair value. The fair value of our reporting units is estimated utilizing a discounted cash flow approach utilizing cash flow forecasts in our five year strategic and annual operating plans adjusted for terminal value assumptions. This impairment test involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. To address this uncertainty we perform sensitivity analysis on key estimates and assumptions.

We completed our annual impairment test as of March 31, 2011 and determined that there was no impairment as of that date. However, significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may have a negative effect on the fair value of our reporting units.

Income Taxes—Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Our provision for income taxes is based on domestic and international statutory income tax rates in the jurisdictions in which we operate. Significant judgment is required in determining income tax provisions as well as deferred tax asset and liability balances, including the estimation of valuation allowances and the evaluation of tax positions.

As of December 31, 2011, we recognized a net deferred tax asset of $2,421 million, less a valuation allowance of $591 million. Net deferred tax assets are primarily comprised of net deductible temporary differences, net operating loss carryforwards and tax credit carryforwards that are available to reduce taxable income in future periods. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Our net deferred tax asset of $2,421 million consists of $1,516 million related to U.S. operations and $905 million related to non-U.S. operations. The U.S. net deferred tax asset of $1,516 million consists of net deductible temporary differences, tax credit carryforwards, federal and state tax net operating losses which we believe will more likely than not be realized through the generation of future taxable income in the U.S. and tax planning strategies. We maintain a valuation allowance of $5 million against such asset related to state net operating losses. The non-U.S. net deferred tax asset of $905 million consists principally of net operating and capital loss carryforwards, mainly in France, Netherlands, Luxembourg and Germany. We maintain a valuation allowance of $588 million against these deferred tax assets reflecting our historical experience and lower expectations of taxable income over the applicable carryforward periods. As more fully described in Note 6 to the financial statements, our valuation allowance decreased by $45 million in 2011 and increased by $58 million and $133 million in 2010 and 2009, respectively. In the event we determine that we will not be able to realize our net deferred tax assets in the future, we will reduce such amounts through a charge to income in the period such determination is made. Conversely, if we determine that we will be able to realize net deferred tax assets in excess of the carrying amounts, we will decrease the recorded valuation allowance through a credit to income in the period that such determination is made.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional reserves for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum recognition threshold. The approach for evaluating certain and uncertain tax positions is defined by the authoritative guidance and this guidance determines when a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Sales Recognition on Long-Term Contracts—In 2011, we recognized approximately 16 percent of our total net sales using the percentage-of-completion method for long-term contracts in our Automation and Control Solutions, Aerospace and Performance Materials and Technologies segments. These long-term contracts are measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Accounting for these contracts involves management judgment in estimating total contract revenue and cost. Contract revenues are largely determined by negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with technical performance and price adjustment clauses (such as inflation or index-based clauses). Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management judgment. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends and other economic projections. Significant factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Anticipated losses on long-term contracts are recognized when such losses become evident. We maintain financial controls over the customer qualification, contract pricing and estimation processes to reduce the risk of contract losses.

OTHER MATTERS

Litigation

See Note 21 to the financial statements for a discussion of environmental, asbestos and other litigation matters.

Recent Accounting Pronouncements

See Note 1 to the financial statements for a discussion of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information relating to market risk is included in Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations under the caption "Financial Instruments".

ITEM 8. Financial Statements and Supplementary Data

Honeywell International Inc.
Consolidated Statement of Operations

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions, except per share amounts)		
Product sales	$ 28,745	$ 25,242	$ 22,957
Service sales	7,784	7,108	6,994
Net sales	36,529	32,350	29,951
Costs, expenses and other			
Cost of products sold	23,220	19,903	18,565
Cost of services sold	5,336	4,818	4,695
	28,556	24,721	23,260
Selling, general and administrative expenses	5,399	4,618	4,323
Other (income) expense	(84)	(97)	(54)
Interest and other financial charges	376	386	458
	34,247	29,628	27,987
Income from continuing operations before taxes	2,282	2,722	1,964
Tax expense	417	765	436
Income from continuing operations after taxes	1,865	1,957	1,528
Income from discontinued operations after taxes	209	78	56
Net income	2,074	2,035	1,584
Less: Net income attributable to the noncontrolling interest	7	13	36
Net income attributable to Honeywell	$ 2,067	$ 2,022	$ 1,548
Amounts attributable to Honeywell:			
Income from continuing operations less net income attributable to the noncontrolling interest	1,858	1,944	1,492
Income from discontinued operations	209	78	56
Net income attributable to Honeywell	$ 2,067	$ 2,022	$ 1,548
Earnings per share of common stock - basic:			
Income from continuing operations	2.38	2.51	1.99
Income from discontinuing operations	0.27	0.10	0.07
Net income	$ 2.65	$ 2.61	$ 2.06
Earnings per share of common stock - assuming dilution:			
Income from continuing operations	2.35	2.49	1.98
Income from discontinuing operations	0.26	0.10	0.07
Net income	$ 2.61	$ 2.59	$ 2.05
Cash dividends per share of common stock	$ 1.37	$ 1.21	$ 1.21

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Balance Sheet

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,698	$ 2,650
Accounts, notes and other receivables	7,228	6,841
Inventories	4,264	3,822
Deferred income taxes	460	877
Investments and other current assets	484	455
Assets held for sale	—	841
Total current assets	16,134	15,486
Investments and long-term receivables	494	616
Property, plant and equipment - net	4,804	4,724
Goodwill	11,858	11,275
Other intangible assets - net	2,477	2,537
Insurance recoveries for asbestos related liabilities	709	825
Deferred income taxes	2,132	1,221
Other assets	1,200	1,150
Total assets	$ 39,808	$ 37,834
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,738	$ 4,199
Short-term borrowings	60	67
Commercial paper	599	299
Current maturities of long-term debt	15	523
Accrued liabilities	6,863	6,446
Liabilities related to assets held for sale	—	190
Total current liabilities	12,275	11,724
Long-term debt	6,881	5,755
Deferred income taxes	676	636
Postretirement benefit obligations other than pensions	1,417	1,477
Asbestos related liabilities	1,499	1,557
Other liabilities	6,158	5,898
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	4,157	3,977
Common stock held in treasury, at cost	(8,948)	(8,299)
Accumulated other comprehensive income (loss)	(1,444)	(1,067)
Retained earnings	16,083	15,097
Total Honeywell shareowners' equity	10,806	10,666
Noncontrolling interest	96	121
Total shareowners' equity	10,902	10,787
Total liabilities and shareowners' equity	$ 39,808	$ 37,834

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Statement of Cash Flows

	Years Ended December 31, 2011	2010	2009
	(Dollars in millions)		
Cash flows from operating activities:			
Net income attributable to Honeywell	$ 2,067	$ 2,022	$ 1,548
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:			
Depreciation and amortization	957	987	957
Gain on sale of non-strategic businesses and assets	(362)	—	(87)
Repositioning and other charges	743	600	478
Net payments for repositioning and other charges	(468)	(439)	(658)
Pension and other postretirement expense	1,823	689	1,022
Pension and other postretirement benefit payments	(1,788)	(787)	(189)
Stock compensation expense	168	164	118
Deferred income taxes	(331)	878	47
Excess tax benefits from share based payment arrangements	(42)	(13)	(1)
Other	194	(24)	261
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts, notes and other receivables	(316)	(688)	360
Inventories	(310)	(300)	475
Other current assets	25	(26)	(43)
Accounts payable	527	592	(169)
Accrued liabilities	(54)	548	(173)
Net cash provided by operating activities	2,833	4,203	3,946
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(798)	(651)	(609)
Proceeds from disposals of property, plant and equipment	6	14	31
Increase in investments	(380)	(453)	(24)
Decrease in investments	354	112	1
Cash paid for acquisitions, net of cash acquired	(973)	(1,303)	(468)
Proceeds from sales of businesses,net of fees paid	1,156	7	1
Other	24	5	(65)
Net cash used for investing activities	(611)	(2,269)	(1,133)
Cash flows from financing activities:			
Net increase/(decrease) in commercial paper	300	1	(1,133)
Net (decrease)/increase in short-term borrowings	(2)	20	(521)
Payment of debt assumed with acquisitions	(33)	(326)	—
Proceeds from issuance of common stock	304	195	37
Proceeds from issuance of long-term debt	1,390	—	1,488
Payments of long-term debt	(939)	(1,006)	(1,106)
Excess tax benefits from share based payment arrangements	42	13	1
Repurchases of common stock	(1,085)	—	—
Cash dividends paid	(1,091)	(944)	(918)
Net cash used for financing activities	(1,114)	(2,047)	(2,152)
Effect of foreign exchange rate changes on cash and cash equivalents	(60)	(38)	75
Net increase/(decrease) in cash and cash equivalents	1,048	(151)	736
Cash and cash equivalents at beginning of period	2,650	2,801	2,065
Cash and cash equivalents at end of period	$ 3,698	$ 2,650	$ 2,801

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Statement of Shareowners' Equity

	2011 Shares	2011 $	2010 Shares	2010 $	2009 Shares	2009 $
	Years Ended December 31, (in millions)					
Common stock, par value	957.6	958	957.6	958	957.6	958
Additional paid-in capital						
Beginning balance		3,977		3,823		3,994
Issued for employee savings and option plans		14		(35)		(99)
Contributed to pension plans		—		32		(190)
Stock-based compensation expense		168		157		118
Other owner changes		(2)		—		—
Ending balance		4,157		3,977		3,823
Treasury stock						
Beginning balance	(174.6)	(8,299)	(193.4)	(8,995)	(223.0)	(10,206)
Reacquired stock or repurchases of common stock	(20.3)	(1,085)	—	—	—	—
Issued for employee savings and option plans	12.0	436	8.9	328	6.6	281
Contributed to pension plans	—	—	9.9	368	23.0	930
Ending balance	(182.9)	(8,948)	(174.6)	(8,299)	(193.4)	(8,995)
Retained earnings						
Beginning balance		15,097		14,023		13,391
Net income attributable to Honeywell		2,067		2,022		1,548
Dividends paid on common stock		(1,081)		(948)		(916)
Ending balance		16,083		15,097		14,023
Accumulated other comprehensive income (loss)						
Beginning balance		(1,067)		(948)		(1,078)
Foreign exchange translation adjustment		(146)		(249)		259
Pensions and other post retirement benefit adjustments		(209)		44		(271)
Changes in fair value of available for sale investments		12		90		112
Changes in fair value of effective cash flow hedges		(34)		(4)		30
Ending balance		(1,444)		(1,067)		(948)
Non controlling interest						
Beginning balance		121		110		82
Acquisitions		—		2		5
Interest sold (bought)		(5)		4		—
Net income attributable to non controlling interest		7		13		36
Foreign exchange translation adjustment		(4)		2		(1)
Dividends paid		(23)		(10)		(9)
Other owner changes		—		—		(3)
Ending balance		96		121		110
Total shareowners equity	774.7	10,902	783.0	10,787	764.2	8,971
Comprehensive income						
Net income		2,074		2,035		1,584
Foreign exchange translation adjustment		(146)		(249)		259
Pensions and other post retirement benefit adjustments		(209)		44		(271)
Changes in fair value of available for sale investments		12		90		112
Changes in fair value of effective cash flow hedges		(34)		(4)		30
Total comprehensive income		1,697		1,916		1,714
Comprehensive income attributable to non controlling interest		(3)		(15)		(36)
Comprehensive income (loss) attributable to Honeywell		1,694		1,901		1,678

The Notes to Financial Statements are integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Accounting Principles—The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The following is a description of Honeywell's significant accounting policies..

Principles of Consolidation—The consolidated financial statements include the accounts of Honeywell International Inc. and all of its subsidiaries and entities in which a controlling interest is maintained. Our consolidation policy requires equity investments that we exercise significant influence over but do not control the investee and are not the primary beneficiary of the investee's activities to be accounted for using the equity method. Investments through which we are not able to exercise significant influence over the investee and which we do not have readily determinable fair values are accounted for under the cost method. All intercompany transactions and balances are eliminated in consolidation.

The Consumer Products Group (CPG) automotive aftermarket business had historically been part of the Transportation Systems reportable segment. In accordance with generally accepted accounting principles, CPG is presented as discontinued operations in all periods presented. See Note 2 Acquisitions and Divestitures for further details.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and on deposit and highly liquid, temporary cash investments with an original maturity of three months or less.

Inventories—Inventories are valued at the lower of cost or market using the first-in, first-out or the average cost method and the last-in, first-out (LIFO) method for certain qualifying domestic inventories.

Investments—Investments in affiliates over which we have a significant influence, but not a controlling interest, are accounted for using the equity method of accounting. Other investments are carried at market value, if readily determinable, or at cost. All equity investments are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. Significant and sustained decreases in quoted market prices or a series of historic and projected operating losses by investees are strong indicators of other-than-temporary declines. If the decline in fair value is determined to be other-than-temporary, an impairment loss is recorded and the investment is written down to a new carrying value.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost, including any asset retirement obligations, less accumulated depreciation. For financial reporting, the straight-line method of depreciation is used over the estimated useful lives of 10 to 50 years for buildings and improvements and 2 to 16 years for machinery and equipment. Recognition of the fair value of obligations associated with the retirement of tangible long-lived assets is required when there is a legal obligation to incur such costs. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived asset and depreciated over the corresponding asset's useful life. See Note 11 and Note 17 for additional details.

Goodwill and Indefinite-Lived Intangible Assets—Goodwill represents the excess of acquisition costs over the fair value of tangible net assets and identifiable intangible assets of businesses acquired. Goodwill and certain other intangible assets deemed to have indefinite lives are not amortized. Intangible assets determined to have definite lives are amortized over their useful lives. Goodwill and indefinite lived intangible assets are subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. We completed our annual goodwill impairment test as of March 31, 2011 and determined that there was no impairment as of that date. See Note 12 for additional details on goodwill balances.

Other Intangible Assets with Determinable Lives—Other intangible assets with determinable lives consist of customer lists, technology, patents and trademarks and other intangibles and are amortized over their estimated useful lives, ranging from 2 to 24 years.

Long-Lived Assets—We periodically evaluate the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We evaluate events or changes in circumstances based on a number of factors including operating results, business plans and forecasts, general and industry trends and, economic projections and anticipated cash flows. An impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. We also continually evaluate the estimated useful lives of all long-lived assets and periodically revise such estimates based on current events.

Sales Recognition—Product and service sales are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Service sales, principally representing repair, maintenance and engineering activities in our Aerospace and Automation and Control Solutions segments, are recognized over the contractual period or as services are rendered. Sales under long-term contracts in the Aerospace and Automation and Control Solutions segments are recorded on a percentage-of-completion method measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident. Revenues from contracts with multiple element arrangements are recognized as each element is earned based on the relative fair value of each element provided the delivered elements have value to customers on a standalone basis. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately or competitor prices for similar products or services.

Allowance for Doubtful Accounts—We maintain allowances for doubtful accounts for estimated losses as a result of customer's inability to make required payments. We estimate anticipated losses from doubtful accounts based on days past due, as measured from the contractual due date, historical collection history and incorporate changes in economic conditions that may not be reflected in historical trends for example, customers in bankruptcy, liquidation or reorganization. Receivables are written-off against the allowance for doubtful accounts when they are determined uncollectible. Such determination includes analysis and consideration of the particular conditions of the account, including time intervals since last collection, success of outside collection agencies activity, solvency of customer and any bankruptcy proceedings.

Environmental Expenditures—Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not provide future benefits, are expensed as incurred. Liabilities are recorded when environmental remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities.

Asbestos Related Contingencies and Insurance Recoveries—Honeywell is a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrued for pending claims based on terms and conditions in agreements with NARCO, its former parent company, and certain asbestos claimants, and an estimate of the unsettled claims pending as of the time NARCO filed for bankruptcy protection. We also accrued for the estimated value of future NARCO asbestos related claims expected to be asserted against the NARCO Trust through 2018 as described in Note 21. In light of the inherent uncertainties in making long term projections and in connection with the initial operation of a 524(g) trust, as well as the stay of all NARCO asbestos claims since January 2002, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. Regarding Bendix asbestos related claims, we accrued for the estimated value of pending claims using average resolution values for the previous five years. We also accrued for the estimated value of future anticipated claims related to Bendix for the next five years based on historic claims filing experience and dismissal rates, disease classifications, and average resolution values in the tort system for the previous five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years. We will continue to update the resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers.

Aerospace Sales Incentives—We provide sales incentives to commercial aircraft manufacturers and airlines in connection with their selection of our aircraft equipment, predominately wheel and braking system hardware and auxiliary power units, for installation on commercial aircraft. These incentives principally consist of free or deeply discounted products, but also include credits for future purchases of product and upfront cash payments. These costs are recognized in the period incurred as cost of products sold or as a reduction to sales, as appropriate. For aircraft manufacturers, incentives are recorded when the products are delivered; for airlines, incentives are recorded when the associated aircraft are delivered by the aircraft manufacturer to the airline.

Research and Development—Research and development costs for company-sponsored research and development projects are expensed as incurred. Such costs are principally included in Cost of Products Sold and were \$1,799, \$1,450 and \$1,321 million in 2011, 2010 and 2009, respectively.

Stock-Based Compensation Plans—The principal awards issued under our stock-based compensation plans, which are described in Note 20, include non-qualified stock options and restricted stock units (RSUs). The cost for such awards is measured at the grant date based on the fair value of the award. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods (generally the vesting period of the equity award) and is included in selling, general and administrative expense in our Consolidated Statement of Operations. Forfeitures are required to be estimated at the time of grant in order to estimate the portion of the award that will ultimately vest. The estimate is based on our historical rates of forfeiture.

Pension Benefits—We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. We recognize changes in the fair value of plan assets and net actuarial gains or losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) annually in the fourth quarter each year (MTM Adjustment). The remaining components of pension expense, primarily service and interest costs and assumed return on plan assets, are recorded on a quarterly basis (On-going Pension Expense).

Foreign Currency Translation—Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. Sales, costs and expenses are translated at the average exchange rates in effect during the year. Foreign currency translation gains and losses are included as a component of Accumulated Other Comprehensive Income (Loss). For subsidiaries operating in highly inflationary environments, inventories and property, plant and equipment, including related expenses, are remeasured at the exchange rate in effect on the date the assets were acquired, while monetary assets and liabilities are remeasured at year-end exchange rates. Remeasurement adjustments for these subsidiaries are included in earnings.

Derivative Financial Instruments—As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes and we do not use leveraged derivative financial instruments. Derivative financial instruments used for hedging purposes must be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in fair value of the derivative contract must be highly correlated with changes in fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

All derivatives are recorded on the balance sheet as assets or liabilities and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in Accumulated Other Comprehensive Income (Loss) and subsequently recognized in earnings when the hedged items impact earnings. Cash flows of such derivative financial instruments are classified consistent with the underlying hedged item.

Transfers of Financial Instruments—Sales, transfers and securitization of financial instruments are accounted for under authoritative guidance for the transfers and servicing of financial assets and extinguishments of liabilities.

We sell interests in designated pools of trade accounts receivables to third parties. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion. As a result, these program receivables are not accounted for as a sale and remain on the Consolidated Balance Sheet with a corresponding amount recorded as either Short-term borrowings or Long-term debt.

At times we also transfer trade and other receivables that qualify as a sale and are thus are removed from the Consolidated Balance Sheet at the time they are sold. The value assigned to any subordinated interests and undivided interests retained in receivables sold is based on the relative fair values of the interests retained and sold. The carrying value of the retained interests approximates fair value due to the short-term nature of the collection period for the receivables.

Income Taxes—Deferred tax liabilities or assets reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional reserves for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum recognition threshold. The approach for evaluating certain and uncertain tax positions is defined by the authoritative guidance and this guidance determines when a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the tax filings of the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Earnings Per Share—Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding.

Use of Estimates—The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures in the accompanying notes. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements—Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

In May 2011, the FASB issued amendments to disclosure requirements for common fair value measurement. These amendments, effective for the interim and annual periods beginning on or after December 15, 2011 (early adoption is prohibited), result in common definition of fair value and common requirements for measurement of and disclosure requirements between U.S. GAAP and IFRS. Consequently, the amendments change some fair value measurement principles and disclosure requirements. The implementation of this amended accounting guidance is not expected to have a material impact on our consolidated financial position and results of operations.

In June 2011, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued an amendment to defer the presentation on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for annual and interim financial statements. The implementation of the two aforementioned amendments is not expected to have a material impact on our consolidated financial position and results of operations.

In September 2011, the FASB issued amendments to the goodwill impairment guidance which provides an option for companies to use a qualitative approach to test goodwill for impairment if certain conditions are met. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (early adoption is permitted). The implementation of amended accounting guidance is not expected to have a material impact on our consolidated financial position and results of operations.

Note 2. Acquisitions and Divestitures

Acquisitions – We acquired businesses for an aggregate cost of $973, $1,303, and $468 million in 2011 2010 and 2009, respectively. For all of our acquisitions the acquired businesses were recorded at their estimated fair values at the dates of acquisition. Significant acquisitions made in these years are discussed below.

In December 2011, the Company acquired King's Safetywear Limited (KSW), a leading international provider of branded safety footwear. The aggregate value, net of cash acquired, was approximately $331 million (including the assumption of debt of $33 million) and was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. On a preliminary basis, the Company has assigned approximately $178 million to identifiable intangible assets, predominantly trademarks, technology, and customer relationships. The definite lived intangible assets are being amortized over their estimated lives, using straight-line and accelerated amortization methods. The value assigned to trademarks of approximately $91 million is classified as indefinite lived intangibles. The excess of the purchase price over the estimated fair values of net assets acquired (approximately $163 million), was recorded as goodwill. This goodwill arises primarily from the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance our product offerings to key target markets and serve as entry into new and profitable segments, and the expected cost synergies that will be realized through the consolidation of the acquired business into our Automation and Control Solutions segment. Their cost synergies are expected to be realized principally in the areas of selling, general and administrative expenses, material sourcing and manufacturing. This goodwill is non–deductible for tax purposes.

The results from the acquisition date through December 31, 2011 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements. As of December 31, 2011, the purchase accounting for KSW is subject to final adjustment primarily for the valuation of inventory, property, plant and equipment, useful lives of intangible assets, amounts allocated to intangible assets and goodwill, tax balances, and for certain pre-acquisition contingencies.

In August 2011, the Company acquired 100 percent of the issued and outstanding shares of EMS Technologies, Inc. (EMS), a leading provider of connectivity solutions for mobile networking, rugged mobile computers and satellite communications. EMS had reported 2010 revenues of approximately $355 million.

The aggregate value, net of cash acquired, was approximately $513 million and was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. On a preliminary basis, the Company has assigned approximately $119 million to identifiable intangible assets, of which approximately $89 million and approximately $30 million were recorded within the Aerospace and Automation and Control segments, respectively. The intangible assets are predominantly customer relationships, existing technology and trademarks. These intangible assets are being amortized over their estimated lives, using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired (approximating $326 million), was recorded as goodwill. This goodwill arises primarily from the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance our product offerings to key target markets and serve as entry into new and profitable segments, and the expected cost synergies that will be realized through the consolidation of the acquired business into our Aerospace and Automation and Control Solutions segments. These cost synergies are expected to be realized principally in the areas of selling, general and administrative expenses, material sourcing and manufacturing. This goodwill is non-deductible for tax purposes.

The results from the acquisition date through December 31, 2011 are included in the Aerospace and Automation and Control Solutions segments and were not material to the consolidated financial statements. As of December 31, 2011, the purchase accounting for EMS is subject to final adjustment primarily for the valuation of inventory and property, plant and equipment, useful lives of intangible assets, amounts allocated to intangible assets and goodwill, and for certain pre-acquisition contingencies.

In October 2010, we completed the acquisition of the issued and outstanding shares of Sperian Protection (Sperian), a French company that operates globally in the personal protection equipment design and manufacturing industry. Sperian had reported 2009 revenues of approximately $900 million.

The aggregate value, net of cash acquired, was approximately $1,475 million (including the assumption of approximately $326 million of outstanding debt) and was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

The following amounts represent the final determination of the fair value of the identifiable assets acquired and liabilities assumed.

Accounts and other receivables	$	117
Inventories		166
Other current assets		8
Property, plant and equipment		108
Intangible assets		539
Other assets and deferred charges		4
Accounts payable		(63)
Accrued liabilities		(114)
Deferred income taxes		(156)
Long-term debt		(326)
Other long-term liabilities		(64)
Net assets acquired		219
Goodwill		930
Purchase price	$	1,149

We have assigned $539 million to intangible assets, predominantly customer relationships, trade names, and technology. These intangible assets are being amortized over their estimated lives which range from 3 to 20 years using straight line and accelerated amortization methods. Included in this amount, a value of approximately $246 million has been assigned to trade names intangibles determined to have indefinite lives. The excess of the purchase price over the estimated fair values of net assets acquired is approximately $930 million and was recorded as goodwill. This goodwill arises primarily from the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to develop a business with a product offering and customer base comparable to Sperian and the expected cost synergies that will be realized through the consolidation of the acquired business into our Automations and Controls Solutions segment. These cost synergies are expected to be realized principally in the areas of selling, general and administrative expenses, material sourcing and manufacturing. This goodwill is non-deductible for tax purposes. The results from the acquisition date through December 31, 2010 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In August 2009, the Company completed the acquisition of the RMG Group (RMG Regel + Messtechnik GmbH), a natural gas measuring and control products, services and integrated solutions company, for a purchase price of approximately $416 million, net of cash acquired. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned $174 million to identifiable intangible assets, predominantly customer relationships, existing technology and trademarks. These intangible assets are being amortized over their estimated lives which range from 1 to 15 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired (approximating $225 million), was recorded as goodwill. This goodwill is non-deductible for tax purposes. The results from the acquisition date through December 31, 2009 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In connection with all acquisitions in 2011, 2010 and 2009, the amounts recorded for transaction costs and the costs of integrating the acquired businesses into Honeywell were not material.

The pro forma results for 2011, 2010 and 2009, assuming these acquisitions had been made at the beginning of the comparable prior year, would not be materially different from consolidated reported results.

Divestitures–In July 2011, the Company sold its Consumer Products Group business (CPG) to Rank Group Limited. The sale was completed for approximately $955 million in cash proceeds, resulting in a pre-tax gain of approximately $301 million and approximately $178 million net of tax. The gain was recorded in net income from discontinued operations after taxes in the Company's Consolidated Statement of Operations for the year ended December 31, 2011. The net income attributable to the non-controlling interest for the discontinued operations is insignificant. The sale of CPG, which had been part of the Transportation Systems segment, is consistent with the Company's strategic focus on its portfolio of differentiated global technologies.

The key components of income from discontinued operations related to CPG were as follows:

	Year Ended December 31, 2011	2010	2009
Net sales	$ 530	$ 1,020	$ 957
Costs, expenses and other	421	798	752
Selling, general and administrative expense	63	99	120
Other (income) expense	(2)	2	—
(Loss) income before taxes	48	121	85
Gain on disposal of discontinued operations	301	—	—
Net income from discontinued operations before taxes	349	121	85
Tax expense	140	43	29
Net income from discontinued operations after taxes	$ 209	$ 78	$ 56

The components of assets and liabilities classified as discontinued operations and included in other current assets and other current liabilities related to the CPG business consisted of the following:

	December 31, 2010
Accounts, notes and other receivables	$ 227
Inventories	136
Property, plant and equipment - net	116
Goodwill and other intangibles - net	359
Other	3
Total assets	$ 841
Accounts payable	$ 145
Accrued and other liabilities	45
Total liabilities	$ 190

Note 3. Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Years Ended December 31,		
	2011	2010	2009
Severance	$ 246	$ 144	$ 197
Asset impairments	86	21	6
Exit costs	48	14	10
Reserve adjustments	(26)	(30)	(53)
Total net repositioning charge	354	149	160
Asbestos related litigation charges, net of insurance	149	175	155
Probable and reasonably estimable environmental liabilities	240	212	145
Other	—	62	7
Total net repositioning and other charges	$ 743	$ 598	$ 467

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification:

	Years Ended December 31,		
	2011	2010	2009
Cost of products and services sold	$ 646	$ 558	$ 404
Selling, general and administrative expenses	97	40	63
	$ 743	$ 598	$ 467

The following table summarizes the pretax impact of total net repositioning and other charges by segment:

	Years Ended December 31,		
	2011	2010	2009
Aerospace	$ 29	$ 32	$ 31
Automation and Control Solutions	191	79	70
Performance Materials and Technologies	41	18	9
Transportation Systems	228	178	162
Corporate	254	291	195
	$ 743	$ 598	$ 467

In 2011, we recognized repositioning charges totaling $380 million including severance costs of $246 million related to workforce reductions of 3,188 manufacturing and administrative positions across all of our segments. The workforce reductions were primarily related to the planned shutdown of a manufacturing facility in our Transportation Systems segment, cost savings actions taken in connection with our ongoing functional transformation and productivity initiatives, factory transitions in connection with acquisition-related synergies in our Automation and Control Solutions and Aerospace segments, the exit from and/or rationalization of certain product lines and markets in our Performance Materials and Technologies and Automation and Control Solutions segments, the consolidation of repair facilities in our Aerospace segment, and factory consolidations and/or rationalizations and organizational realignments of businesses in our Automation and Control Solutions segment. The repositioning charges included asset impairments of $86 million principally related to the write-off of certain intangible assets in our Automation and Control Solutions segment due to a change in branding strategy and manufacturing plant and equipment associated with the planned shutdown of a manufacturing facility and the exit of a product line and a factory transition as discussed above. The repositioning charges also included exit costs of $48 million principally for costs to terminate contracts related to the exit of a market and product line and a factory transition as discussed above. Exit costs also included closure obligations associated with the planned shutdown of a manufacturing facility and exit of a product line also as discussed above. Also, $26 million of previously established accruals, primarily for severance at our Aerospace and Automation and Control Solutions segments, were returned to income in 2011 due principally to fewer employee separations than originally planned associated with prior severance programs.

In 2010, we recognized repositioning charges totaling $179 million including severance costs of $144 million related to workforce reductions of 2,781 manufacturing and administrative positions primarily in our Automation and Control Solutions, Aerospace and Transportation Systems segments. The workforce reductions were primarily related to the planned shutdown of certain manufacturing facilities in our Automation and Control Solutions and Transportation Systems segments, cost savings actions taken in connection with our ongoing functional transformation and productivity initiatives, factory transitions in our Aerospace, Automation and Control Solutions and Performance Materials and Technologies segments to more cost-effective locations, achieving acquisition-related synergies in our Automation and Control Solutions segment, and the exit and/or rationalization of certain product lines in our Performance Materials and Technologies segment. The repositioning charge also included asset impairments of $21 million principally related to manufacturing plant and equipment associated with the exit and/or rationalization of certain product lines and in facilities scheduled to close. Also, $30 million of previously established accruals, primarily for severance at our Automation and Control Solutions, Transportation Systems and Aerospace segments, were returned to income in 2010 due to fewer employee separations than originally planned associated with prior severance programs.

In 2009, we recognized repositioning charges totaling $213 million primarily for severance costs related to workforce reductions of 4,145 manufacturing and administrative positions mainly in our Automation and Control Solutions, Transportation Systems and Aerospace segments. The workforce reductions were primarily related to the adverse market conditions experienced by many of our businesses, cost savings actions taken in connection with our ongoing functional transformation initiative, the planned downsizing or shutdown of certain manufacturing facilities, and organizational realignments of portions of our Aerospace and Transportation Systems segments. Also, $53 million of previously established accruals, primarily for severance at our Automation and Control Solutions, Aerospace, and Transportation Systems segments, were returned to income in 2009 due to fewer employee separations than originally planned associated with prior severance programs and changes in the scope of previously announced repositioning actions.

The following table summarizes the status of our total repositioning reserves:

	Severance Costs	Asset Impairments	Exit Costs	Total
Balance at December 31, 2008	$ 358	$ —	$ 36	$ 394
2009 charges	197	6	10	213
2009 usage - cash	(186)	—	(7)	(193)
2009 usage - noncash	—	(6)	—	(6)
Adjustments	(51)	—	(2)	(53)
Divestitures(1)	(24)	—	—	(24)
Balance at December 31, 2009	294	—	37	331
2010 charges	144	21	14	179
2010 usage - cash	(130)	—	(17)	(147)
2010 usage - noncash	—	(21)	—	(21)
Adjustments	(30)	—	—	(30)
Foreign currency translation	(8)	—	—	(8)
Balance at December 31, 2010	270	—	34	304
2011 charges	246	86	48	380
2011 usage - cash	(136)	—	(23)	(159)
2011 usage - noncash	—	(86)	—	(86)
Adjustments	(26)	—	—	(26)
Foreign currency translation	(1)	—	—	(1)
Balance at December 31, 2011	$ 353	$ —	$ 59	$ 412

(1) Relates to businesses divested during 2009 included in Gain on Sale of Non-Strategic Businesses and Assets see Note 4, Other (Income) Expense.

Certain repositioning projects in our Aerospace, Automation and Control Solutions and Transportation Systems segments included exit or disposal activities, the costs related to which will be recognized in future periods when the actual liability is incurred. The nature of these exit or disposal costs includes asset set-up and moving, product recertification and requalification, and employee retention, training and travel. The following tables summarize by segment, expected, incurred and remaining exit and disposal costs related to 2011 and 2010 repositioning actions which we were not able to recognize at the time the actions were initiated.

2011 Repositioning Actions	Aerospace	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	$ 15	$ 15	$ 7	$ 37
Costs incurred year ended December 31, 2011	(1)	—	—	(1)
Remaining exit and disposal costs at December 31, 2011	$ 14	$ 15	$ 7	$ 36

2010 Repositioning Actions	Aerospace	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	$ 11	$ 10	$ 2	$ 23
Costs incurred year ended December 31, 2011	(2)	(3)	(1)	(6)
Costs incurred year ended December 31, 2010	—	—	—	—
Remaining exit and disposal costs at December 31, 2011	$ 9	$ 7	$ 1	$ 17

In 2011, we recognized a charge of $240 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $149 million. Environmental and Asbestos matters are discussed in detail in Note 21, Commitments and Contingencies.

In 2010, we recognized a charge of $212 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $175 million. We also recognized other charges of $62 million in connection with the evaluation of potential resolution of certain legal matters.

In 2009, we recognized a charge of $145 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $155 million.

Note 4. Other (income) expense

	Years Ended December 31, 2011	2010	2009
Equity (income)/loss of affiliated companies	$ (51)	$ (28)	$ (26)
Gain on sale of non-strategic businesses and assets	(61)	—	(87)
Interest income	(58)	(39)	(33)
Foreign exchange	50	12	45
Other, net	36	(42)	47
	$ (84)	$ (97)	$ (54)

Gain on sale of non-strategic businesses and assets for 2011 includes a $50 million pre-tax gain, $31 million net of tax, related to the divestiture of the automotive on-board sensor products business within our Automation and Control Solutions segment.

Other, net in 2011 includes a loss of $29 million resulting from early redemption of debt in the first quarter of 2011. See Note 14 Long-term Debt and Credit Agreements for further details.

Other, net for 2010 includes a $62 million pre-tax gain, $39 million net of tax, related to the consolidation of a joint venture within our Performance Materials and Technologies segment. The Company obtained control and the ability to direct those activities most significant to the joint venture's economic performance in the third quarter, resulting in consolidation. Accordingly, we have i) recognized the assets and liabilities at fair value, ii) included the results of operations in the consolidated financial statements from the date of consolidation and iii) recognized the above noted gain representing the difference between the carrying amount and fair value of our previously held equity method investment. The Company has assigned $24 million to intangibles, predominantly the joint venture's customer contracts. These intangible assets are being amortized over their estimated lives using the straight line method. The excess of the book value over the estimated fair values of the net assets consolidated approximating $132 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. The results from the consolidation date through December 31, 2010 are included in the Performance Materials and Technologies segment and were not material to the consolidated financial statements.

Gain on sale of non-strategic businesses and assets for 2009 includes a $50 million pre-tax gain, $42 million net of tax, related to the deconsolidation of a subsidiary within our Automation and Control Solutions segment. The subsidiary achieved contractual milestones at December 31, 2009 and as a result, we are no longer the primary beneficiary, resulting in deconsolidation. We continue to hold a non-controlling interest which was recorded at its estimated fair value of $67 million upon deconsolidation. The fair value was estimated using a combination of a market and income approaches utilizing observable market data for comparable businesses and discounted cash flow modeling. Our non-controlling interest, classified within Investments and long-term receivables on our Balance Sheet will be accounted for under the equity method on a prospective basis.

Other, net for 2009 includes an other than-temporary impairment charge of $62 million. See Note 16 Financial Instruments and Fair Value Measures for further details.

Note 5. Interest and Other Financial Charges

	Years Ended December 31,		
	2011	2010	2009
Total interest and other financial charges	$ 389	$ 402	$ 473
Less—capitalized interest	(13)	(16)	(15)
	$ 376	$ 386	$ 458

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 2011 and 2010 was 0.84 percent and 1.64 percent, respectively.

Note 6. Income Taxes

Income from continuing operations before taxes

	Years Ended December 31,		
	2011	2010	2009
United States	$ 318	$ 1,157	$ 1,068
Foreign	1,964	1,565	896
	$ 2,282	$ 2,722	$ 1,964

Tax expense (benefit)

	Years Ended December 31, 2011	2010	2009
United States	$ 3	$ 358	$ 272
Foreign	414	407	164
	$ 417	$ 765	$ 436

	Years Ended December 31, 2011	2010	2009
Tax Expense consists of Current:			
United States	$ 171	$ (501)	$ (47)
State	13	3	19
Foreign	564	385	417
	$ 748	$ (113)	$ 389
Deferred:			
United States	$ (185)	$ 784	$ 283
State	4	72	17
Foreign	(150)	22	(253)
	(331)	878	47
	$ 417	$ 765	$ 436

	Years Ended December 31, 2011	2010	2009
The U.S. statutory federal income tax rate is reconciled to our effective income tax rate as follows:			
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Taxes on foreign earnings below U.S. tax rate(1)	(10.4)	(7.3)	(8.3)
State income taxes(1)	0.7	1.5	1.5
Manufacturing incentives	(1.7)	—	(1.6)
ESOP dividend tax benefit	(1.1)	(0.8)	(1.1)
Tax credits	(2.3)	(1.2)	(1.9)
Audit settlements	(2.0)	0.1	(0.7)
All other items—net	0.1	0.8	(0.7)
	18.3%	28.1%	22.2%

(1) Net of changes in valuation allowance and tax reserves

The effective tax rate decreased by 9.8 percentage points in 2011 compared with 2010 primarily due to a change in the mix of earnings related to higher U.S. pension expense *(primarily driven by an approximate 7.6 percentage point impact which resulted from the increase in pension mark-to-market expense)*, an increased benefit from manufacturing incentives, an increased benefit from the favorable settlement of tax audits and an increased benefit from a lower foreign effective tax rate. The foreign effective tax rate was 21.1 percent, a decrease of approximately 4.9 percentage points which primarily consisted of (i) a 5.1 percent impact from decreased valuation allowances on net operating losses primarily due to an increase in German earnings available to be offset by net operating loss carry forwards; (ii) a 2.4 percent impact from tax benefits related to foreign exchange and investment losses; iii) a 1.2 percent impact from an increased benefit in tax credits and lower statutory tax rates and (iv) a 4.1 percent impact related to an increase in tax reserves. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign rates.

The effective tax rate increased by 5.9 percentage points in 2010 compared to 2009 primarily due to a change in the mix of earnings related to lower U.S. pension expense, the impact of an enacted change in the tax treatment of the Medicare Part D program, the absence of manufacturing incentives, a decreased impact from the settlement of audits and an increase in the foreign effective tax rate. The foreign effective tax rate increased by approximately 7 percentage points which primarily consisted of i) a 6 percentage point impact from the absence of tax benefits related to foreign exchange and investment losses and ii) a (0.1) percentage point impact from increased valuation allowances on net operating losses.

Deferred tax assets (liabilities)

Deferred income taxes represent the future tax effects of transactions which are reported in different periods for tax and financial reporting purposes. The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables are as follows:

	December 31,	
	2011	2010
Property, plant and equipment basis differences	$ (1,097)	$ (1,107)
Postretirement benefits other than pensions and post employment benefits	571	674
Investment and other asset basis differences	(970)	(993)
Other accrued items	2,852	2,348
Net operating and capital losses	810	873
Tax credits	379	249
Undistributed earnings of subsidiaries	(57)	(40)
All other items—net	(67)	15
	2,421	2,019
Valuation allowance	(591)	(636)
	$ 1,830	$ 1,383

There were $3 million of U.S. federal tax net operating losses available for carryforward at December 31, 2011 which have expiration dates through 2029. The Company has state tax net operating loss carryforwards of $3.5 billion at December 31, 2011 with varying expiration dates through 2032. We also have foreign net operating and capital losses of $2.7 billion which are available to reduce future income tax payments in several countries, subject to varying expiration rules.

We have U.S. federal tax credit carryforwards of $35 million at December 31, 2011, including alternative minimum tax credits which are not subject to expiration. We also have state tax credit carryforwards of $61 million at December 31, 2011, including carryforwards of $38 million with various expiration dates through 2026 and tax credits of $23 million which are not subject to expiration.

The valuation allowance against deferred tax assets decreased by $45 million in 2011 and increased by $58 million and $133 million in 2010 and 2009, respectively. The 2011 decrease in the valuation allowance was primarily due to decreased foreign net operating losses related to the Netherlands and Germany, partially offset by the increase in the valuation allowance of France, Luxembourg and Canada. The 2010 increase in the valuation allowance was primarily due to increased foreign net operating losses related to France, Luxembourg, and the Netherlands offset by the reversal of a valuation allowance related to Germany. The 2010 increase in valuation allowance also includes adjustments related to purchase accounting for various acquisitions. The 2009 increase in the valuation allowance was primarily due to increased foreign net operating losses related to Germany, Luxembourg, and the Netherlands.

Federal income taxes have not been provided on undistributed earnings of the majority of our international subsidiaries as it is our intention to reinvest these earnings into the respective subsidiaries. At December 31, 2011 Honeywell has not provided for U.S. federal income and foreign withholding taxes on approximately $8.1 billion of such earnings of our non-U.S. operations. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated, and the amount of foreign tax credits that would be available to reduce or eliminate the resulting U.S. income tax liability.

We had $815 million, $757 million and $720 million of unrecognized tax benefits as of December 31, 2011, 2010, and 2009 respectively. If recognized, $815 million would be recorded as a component of income tax expense as of December 31, 2011. For the years ended December 31, 2011 and 2010, the Company increased its unrecognized tax benefits by $58 million and $37 million, respectively, due to additional reserves for various international and U.S. tax audit matters, partially offset by adjustments related to our ongoing assessments of the likelihood and amount of potential outcomes of current and future examinations, the expiration of various statute of limitations, and settlements with tax authorities. The following table summarizes the activity related to our unrecognized tax benefits:

	2011	2010	2009
Change in unrecognized tax benefits:			
Balance at beginning of year	$ 757	$ 720	$ 671
Gross increases related to current period tax positions	46	37	86
Gross increases related to prior periods tax positions	327	84	86
Gross decreases related to prior periods tax positions	(56)	(41)	(77)
Decrease related to settlements with tax authorities	(237)	(23)	(44)
Expiration of the statute of limitations for the assessment of taxes	(12)	(8)	(8)
Foreign currency translation	(10)	(12)	6
Balance at end of year	$ 815	$ 757	$ 720

Generally, our uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. The following table summarizes these open tax years by major jurisdiction as of December 31, 2011:

	Open Tax Year	
Jurisdiction	Examination in progress	Examination not yet initiated
United States [(1)]	2001–2009	2005–2011
United Kingdom	N/A	2010-2011
Canada[(1)]	2006-2010	2011
Germany[(1)]	2004-2009	2010-2011
France	2009-2010	2000–2008, 2011
Netherlands	2007-2009	2010-2011
Australia	N/A	2009-2011
China	2009-2010	2006-2008, 2011
India	2000–2009	2010-2011

(1) includes federal as well as state, provincial or similar local jurisdictions, as applicable.

Based on the outcome of these examinations, or as a result of the expiration of statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns will materially change from those recorded as liabilities for uncertain tax positions in our financial statements. In addition, the outcome of these examinations may impact the valuation of certain deferred tax assets (such as net operating losses) in future periods. Based on the number of tax years currently under audit by the relevant U.S federal, state and foreign tax authorities, the Company anticipates that several of these audits may be finalized in the foreseeable future. However, based on the status of these examinations, the protocol of finalizing audits by the relevant taxing authorities, and the possibility that the Company might challenge certain audit findings (which could include formal legal proceedings), at this time it is not possible to estimate the impact of any amount of such changes, if any, to previously recorded uncertain tax positions.

Unrecognized tax benefits for examinations in progress were $482 million, $274 million and $261 million, as of December 31, 2011, 2010, and 2009, respectively. These increases are primarily due to an increase in tax examinations. Estimated interest and penalties related to the underpayment of income taxes are classified as a component of Tax Expense in the Consolidated Statement of Operations and totaled $63 million, $33 million and $13 million for the years ended December 31, 2011, 2010, and 2009, respectively. Accrued interest and penalties were $247 million, $183 million and $150 million, as of December 31, 2011, 2010, and 2009, respectively.

Note 7. Earnings Per Share

The details of the earnings per share calculations for the years ended December 31, 2011, 2010 and 2009 are as follows:

	Years Ended December 31,		
	2011	2010	2009
Basic			
Income from continuing operations less net income attributable to the non controlling interest	$ 1,858	$ 1,944	$ 1,492
Income from discontinued operations	209	78	56
Net income attributable to Honeywell	$ 2,067	$ 2,022	$ 1,548
Weighted average shares outstanding	780.8	773.5	752.6
Earnings per share of common stock:			
Income from continuing operations	$ 2.38	$ 2.51	$ 1.99
Income from discontinued operations	0.27	0.10	0.07
Net Income attributable to Honeywell	$ 2.65	$ 2.61	$ 2.06

	Years Ended December 31,		
	2011	2010	2009
Assuming Dilution			
Income from continuing operations less net income attributable to the noncontrolling interest	$ 1,858	$ 1,944	$ 1,492
Income from discontinued operations	209	78	56
Net income attributable to Honeywell	$ 2,067	$ 2,022	$ 1,548
Average Shares			
Weighted average shares outstanding	780.8	773.5	752.6
Dilutive securities issuable - stock plans	10.8	7.4	3.1
Total weighted average diluted shares outstanding	791.6	780.9	755.7
Earnings per share of common stock - assuming dilution:			
Income from continuing operations	$ 2.35	$ 2.49	$ 1.98
Income from discontinuing operations	0.26	0.10	0.07
Net income attributable to Honeywell	$ 2.61	$ 2.59	$ 2.05

The diluted earnings per share calculations exclude the effect of stock options when the options' assumed proceeds exceed the average market price of the common shares during the period. In 2011, 2010, and 2009 the weighted number of stock options excluded from the computations were 9.5, 14.8, and 34.0 million, respectively. These stock options were outstanding at the end of each of the respective periods.

Note 8. Accounts, Notes and Other Receivables

	December 31,	
	2011	2010
Trade	$ 6,926	$ 6,471
Other	555	642
	7,481	7,113
Less - Allowance for doubtful accounts	(253)	(272)
	$ 7,228	$ 6,841

Trade Receivables includes $1,404, and $1,307 million of unbilled balances under long-term contracts as of December 31, 2011 and December 31, 2010, respectively. These amounts are billed in accordance with the terms of customer contracts to which they relate.

Note 9. Inventories

	December 31, 2011	December 31, 2010
Raw materials	$ 1,222	$ 1,139
Work in process	958	792
Finished products	2,253	2,045
	4,433	3,976
Reduction to LIFO cost basis	(169)	(154)
	$ 4,264	$ 3,822

Inventories valued at LIFO amounted to $302 and $198 million at December 31, 2011 and 2010, respectively. Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $169 and $154 million higher at December 31, 2011 and 2010, respectively.

Note 10. Investments and Long-Term Receivables

	December 31, 2011	December 31, 2010
Investments	$ 362	$ 413
Long-term trade and other receivables	81	83
Long-term financing receivables	51	120
	$ 494	$ 616

Long-Term Trade and Other Receivables include $29 and $19 million of unbilled balances under long-term contracts as of December 31, 2011 and 2010, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

The following table summarizes long term trade, financing and other receivables by segment, including current portions and allowances for credit losses.

	December 31, 2011
Aerospace	$ 13
Automation and Control Solutions	90
Performance Materials and Technologies	7
Transportation Systems	7
Corporate	19
	$ 136

Allowance for credit losses for the above detailed long-term trade, financing and other receivables totaled $5 million and $7 million as of December 31, 2011 and 2010, respectively. The receivables are evaluated for impairment on an individual basis, including consideration of credit quality. The above detailed financing receivables are predominately with commercial and governmental counterparties of investment grade credit quality.

Note 11. Property, Plant and Equipment

	December 31, 2011	December 31, 2010
Land and improvements	$ 376	$ 375
Machinery and equipment	9,937	9,878
Buildings and improvements	2,897	2,750
Construction in progress	513	398
	13,723	13,401
Less—Accumulated depreciation	(8,919)	(8,677)
	$ 4,804	$ 4,724

Depreciation expense was $699, $707 and $686 million in 2011, 2010 and 2009, respectively.

Note 12. Goodwill and Other Intangible Assets - Net

The change in the carrying amount of goodwill for the years ended December 31, 2011 and 2010 by segment is as follows:

	December 31, 2010	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2011
Aerospace	$ 1,883	$ 212	$ —	$ —	$ 2,095
Automation and Control Solutions	7,907	365	(12)	—	8,260
Performance Materials and Technologies	1,291	15	—	—	1,306
Transportation Systems	194	—	—	3	197
	$ 11,275	$ 592	$ (12)	$ 3	$ 11,858

	December 31, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Determinable life intangibles:						
Patents and technology	$ 1,151	$ (761)	$ 390	$ 1,101	$ (676)	$ 425
Customer relationships	1,718	(493)	1,225	1,688	(399)	1,289
Trademarks	155	(84)	71	186	(84)	102
Other	211	(145)	66	512	(404)	108
	3,235	(1,483)	1,752	3,487	(1,563)	1,924
Indefinite life intangibles:						
Trademarks	725	—	725	613	—	613
	$ 3,960	$ (1,483)	$ 2,477	$ 4,100	$ (1,563)	$ 2,537

Intangible assets amortization expense was $249, $263, and $250 million in 2011, 2010, 2009, respectively. Estimated intangible asset amortization expense for each of the next five years approximates $250 million in 2012, $226 million in 2013, $200 million in 2014, $166 million in 2015, and $141 in 2016.

Note 13. Accrued Liabilities

	December 31, 2011	December 31, 2010
Compensation, benefit and other employee related	$ 1,555	$ 1,363
Customer advances and deferred income	1,914	1,703
Asbestos related liabilities	237	162
Repositioning	414	306
Product warranties and performance guarantees	367	380
Environmental costs	303	328
Income taxes	318	466
Accrued interest	108	116
Other taxes (payroll, sales, VAT etc.)	233	249
Insurance	180	179
Other (primarily operating expenses)	1,234	1,194
	$ 6,863	$ 6,446

Note 14. Long -term Debt and Credit Agreements

	December 31, 2011	December 31, 2010
6.125% notes due 2011	$ —	$ 500
5.625% notes due 2012	—	400
4.25% notes due 2013	600	600
3.875% notes due 2014	600	600
5.40% notes due 2016	400	400
5.30% notes due 2017	400	400
5.30% notes due 2018	900	900
5.00% notes due 2019	900	900
4.25% notes due 2021	800	—
5.375% notes due 2041	600	—
Industrial development bond obligations, floating rate maturing at various dates through 2037	37	46
6.625% debentures due 2028	216	216
9.065% debentures due 2033	51	51
5.70% notes due 2036	550	550
5.70% notes due 2037	600	600
Other (including capitalized leases), 0.6%-9.5% maturing at various dates through 2023	242	115
	6,896	6,278
Less: current portion	(15)	(523)
	$ 6,881	$ 5,755

The schedule of principal payments on long term debt is as follows:

	December 31, 2011
2012	$ 15
2013	628
2014	613
2015	1
2016	455
Thereafter	5,184
	6,896
Less-current portion	(15)
	$ 6,881

In February 2011, the Company issued $800 million 4.25 percent Senior Notes due 2021 and $600 million 5.375 percent Senior Notes due 2041 (collectively, the "Notes"). The Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of $1,400 million, offset by $19 million in discount and closing costs related to the offering.

In the first quarter of 2011, the Company repurchased the entire outstanding principal amount of its $400 million 5.625 percent Notes due 2012 via a cash tender offer and a subsequent optional redemption. The cost relating to the early redemption of the Notes, including the "make-whole premium", was $29 million.

In March 2011, the Company entered into a $2,800 million Five Year Credit Agreement ("Credit Agreement") with a syndicate of banks. Commitments under the Credit Agreement can be increased pursuant to the terms of the Credit Agreement to an aggregate amount not to exceed $3,500 million. The Credit Agreement contains a $700 million sub-limit for the issuance of letters of credit. The Credit Agreement is maintained for general corporate purposes, including support for the issuance of commercial paper, and replaces the previous $2,800 million five year credit agreement dated May 14, 2007 ("Prior Agreement"). There have been no borrowings under the Credit Agreement or the Prior Agreement.

The Credit Agreement does not restrict our ability to pay dividends and contains no financial covenants. The failure to comply with customary conditions or the occurrence of customary events of default contained in the credit agreement would prevent any further borrowings and would generally require the repayment of any outstanding borrowings under the credit agreement. Such events of default include: (a) non-payment of credit agreement debt, interest or fees; (b) non-compliance with the terms of the credit agreement covenants; (c) cross-default to other debt in certain circumstances; (d) bankruptcy; and (e) defaults upon obligations under Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend additional funds or issue letters of credit under the agreement if any person or group acquires beneficial ownership of 30 percent or more of our voting stock, or, during any 12-month period, individuals who were directors of Honeywell at the beginning of the period cease to constitute a majority of the Board of Directors.

Loans under the Credit Agreement are required to be repaid no later than March 31, 2016. We have agreed to pay a facility fee of 0.125 percent per annum on the aggregate commitment.

Interest on borrowings under the Credit Agreement would be determined, at Honeywell's option, by (a) a competitive bidding procedure; (b) the highest of the floating base rate publicly announced by Citibank, N.A. 0.5 percent above the Federal funds rate or Libor plus 1 percent; or (c) the Eurocurrency rate plus Honeywell's credit default swap spread, subject to a floor and a cap (applicable margin).

The facility fee, the applicable margin over the Eurocurrency rate and the letter of credit issuance fee, are subject to change, based upon a grid determined by our long term debt ratings. The Credit Agreement is not subject to termination based upon a decrease in our debt ratings or a material adverse change.

In the fourth quarter of 2011, the Company repaid $500 million of its 6.125% notes. The repayment was funded with cash provided by operating activities.

In the first quarter of 2010, the Company repaid $1,000 million of its 7.50% notes. The repayment was funded with cash provided by operating activities.

As a source of liquidity, we sell interests in designated pools of trade accounts receivables to third parties. As of December 31, 2011 and December 31, 2010, none of the receivables in the designated pools had been sold to third parties. When we sell receivables, they are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion, providing us with an additional source of revolving credit. As a result, program receivables remain on the Company's balance sheet with a corresponding amount recorded as either Short-term borrowings or Long-term debt.

Note 15. Lease Commitments

Future minimum lease payments under operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

	At December 31, 2011
2012	$ 311
2013	248
2014	184
2015	135
2016	92
Thereafter	243
	$ 1,213

We have entered into agreements to lease land, equipment and buildings. Principally all our operating leases have initial terms of up to 25 years, and some contain renewal options subject to customary conditions. At any time during the terms of some of our leases, we may at our option purchase the leased assets for amounts that approximate fair value. We do not expect that any of our commitments under the lease agreements will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Rent expense was $386, $369 and $366 million in 2011, 2010 and 2009, respectively.

Note 16. Financial Instruments and Fair Value Measures

Credit and Market Risk—Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest and currency exchange rates and commodity prices. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties in derivative transactions are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest rates, currency exchange rates and commodity prices and restrict the use of derivative financial instruments to hedging activities.

We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of our credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Foreign Currency Risk Management—We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency denominated cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency exchange forward and option contracts with third parties.

We hedge monetary assets and liabilities denominated in non-functional currencies. Prior to conversion into U.S. dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other (Income) Expense. We partially hedge forecasted sales and purchases, which predominantly occur in the next twelve months and are denominated in non-functional currencies, with currency forward contracts. Changes in the forecasted non-functional currency cash flows due to movements in exchange rates are substantially offset by changes in the fair value of the currency forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized. Open foreign currency exchange forward contracts mature predominantly in the next twelve months. At December 31, 2011 and 2010, we had contracts with notional amounts of $7,108 million and $5,733 million, respectively, to exchange foreign currencies, principally the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee, Singapore dollar, Swedish krona, Korean won and Thai baht.

Commodity Price Risk Management—Our exposure to market risk for commodity prices can result in changes in our cost of production. We primarily mitigate our exposure to commodity price risk through the use of long-term, fixed-price contracts with our suppliers and formula price agreements with suppliers and customers. We also enter into forward commodity contracts with third parties designated as hedges of anticipated purchases of several commodities. Forward commodity contracts are marked-to-market, with the resulting gains and losses recognized in earnings when the hedged transaction is recognized. At December 31, 2011 and 2010, we had contracts with notional amounts of $59 million and $23 million, respectively, related to forward commodity agreements, principally base metals and natural gas.

Interest Rate Risk Management— We use a combination of financial instruments, including long-term, medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At December 31, 2011 and 2010, interest rate swap agreements designated as fair value hedges effectively changed $1,400 and $600 million, respectively, of fixed rate debt at a rate of 4.09 and 3.88 percent, respectively, to LIBOR based floating rate debt. Our interest rate swaps mature through 2021.

Fair Value of Financial Instruments— The FASB's accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB's guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that our available for sale investments in marketable equity securities are level 1 and our remaining financial assets and liabilities are level 2 in the fair value hierarchy. The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
Assets:		
Foreign currency exchange contracts	$ 26	$ 16
Available for sale investments	359	322
Interest rate swap agreements	134	22
Forward commodity contracts	1	2
Liabilities:		
Foreign currency exchange contracts	$ 52	$ 14
Forward commodity contracts	10	2

The foreign currency exchange contracts, interest rate swap agreements, and forward commodity contracts are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2. The Company also holds investments in commercial paper, certificates of deposits, and time deposits that are designated as available for sale and are valued using market transactions in over-the-counter markets. As such, these investments are classified within level 2.

The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value. The following table sets forth the Company's financial assets and liabilities that were not carried at fair value:

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables	$ 132	$ 132	$ 203	$ 199
Liabilities				
Long-term debt and related current maturities	$ 6,896	$ 7,896	$ 6,278	$ 6,835

In the years ended December 31, 2011 and 2010, the Company had assets with a net book value of $262 million and $32 million, respectively, specifically property, plant and equipment, software and intangible assets, which were accounted for at fair value on a nonrecurring basis. These assets were tested for impairment and based on the fair value of these assets the Company recognized losses of $127 million and $30 million, respectively, in the years ended December 31, 2011 and 2010, primarily in connection with our repositioning actions (see Note 3 Repositioning and Other Charges). The Company has determined that the fair value measurements of these nonfinancial assets are level 3 in the fair value hierarchy.

The Company holds investments in marketable equity securities that are designated as available for sale securities. Due to an other-than-temporary decline in fair value of these investments, the Company recognized an impairment charge of $62 million in the second quarter of 2009 that is included in Other (Income) Expense.

The derivatives utilized for risk management purposes as detailed above are included on the Consolidated Balance Sheet and impacted the Statement of Operations as follows:

Fair value of derivatives classified as assets consist of the following:

Designated as a Hedge	Balance Sheet Classification	December 31, 2011	December 31, 2010
Foreign currency exchange contracts	Accounts, notes, and other receivables	$ 18	$ 10
Interest rate swap agreements	Other assets	134	22
Commodity contracts	Accounts, notes, and other receivables	1	2

Not Designated as a Hedge	Balance Sheet Classification	December 31, 2011	December 31, 2010
Foreign currency exchange contracts	Accounts, notes, and other receivables	$ 8	$ 6

Fair value of derivatives classified as liabilities consist of the following:

Designated as a Hedge	Balance Sheet Classification	December 31, 2011	December 31, 2010
Foreign currency exchange contracts	Accrued liabilities	$ 50	$ 9
Commodity contracts	Accrued liabilities	10	2

Not Designated as a Hedge	Balance Sheet Classification	December 31, 2011	December 31, 2010
Foreign currency exchange contracts	Accrued liabilities	$ 2	$ 5

Gains (losses) recognized in OCI (effective portions) consist of the following:

Designated Cash Flow Hedge	Year Ended December 31, 2011	2010
Foreign currency exchange contracts	$ (42)	$ 12
Commodity contracts	(12)	(7)

Gains (losses) reclassified from AOCI to income consist of the following:

Designated Cash Flow Hedge	Income Statement Location	Year Ended December 31, 2011	2010
Foreign currency exchange contracts	Product sales	$ 29	$ (19)
	Cost of products sold	(34)	30
	Sales & general administrative	(8)	(3)
Commodity contracts	Cost of products sold	$ (2)	$ (8)

Ineffective portions of commodity derivative instruments designated in cash flow hedge relationships were insignificant in the years ended December 31, 2011 and 2010 and are located in cost of products sold.

Interest rate swap agreements are designated as hedge relationships with gains or (losses) on the derivative recognized in Interest and other financial charges offsetting the gains and losses on the underlying debt being hedged. Gains or (losses) on interest rate swap agreements recognized in earnings were $112 and $24 million in the years ended December 31, 2011 and 2010 respectively. These gains were fully offset by losses on the underlying debt being hedged.

We also economically hedge our exposure to changes in foreign exchange rates principally with forward contracts. These contracts are marked-to-market with the resulting gains and losses recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged. We recognized $30 million of income and $18 million of expense, in Other (Income) Expense for the years ended December 31, 2011 and 2010, respectively.

Note 17. Other Liabilities

	Year Ended December 31, 2011	2010
Pension and other employee related	$ 4,308	$ 4,216
Environmental	420	425
Income taxes	856	562
Insurance	218	177
Asset retirement obligations[1]	74	80
Deferred income	77	94
Other	205	344
	$ 6,158	5,898

(1) Asset retirement obligations primarily relate to costs associated with the future retirement of nuclear fuel conversion facilities in our Performance Materials and Technologies segment and the future retirement of facilities in our Automation and Control Solutions segment.

A reconciliation of our liability for asset retirement obligations for the year ended December 31, 2011, is as follows:

	2011	2010
Change in asset retirement obligations:		
Balance at beginning of year	$ 80	$ 79
Liabilities settled	(6)	(3)
Adjustments	(2)	2
Accretion expense	2	2
Balance at end of year	$ 74	$ 80

Note 18. Capital Stock

We are authorized to issue up to 2,000,000,000 shares of common stock, with a par value of $1. Common shareowners are entitled to receive such dividends as may be declared by the Board, are entitled to one vote per share, and are entitled, in the event of liquidation, to share ratably in all the assets of Honeywell which are available for distribution to the common shareowners. Common shareowners do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There are no restrictions on us relative to dividends or the repurchase or redemption of common stock.

The Board of Directors has authorized the repurchase of up to a total of $3.0 billion of Honeywell common stock, which amount includes $1.9 billion that remained available under the Company's previously reported share repurchase program. We purchased a total of approximately 20.3 million shares of our common stock in 2011 for $1,085 million.

We are authorized to issue up to 40,000,000 shares of preferred stock, without par value, and can determine the number of shares of each series, and the rights, preferences and limitations of each series. At December 31, 2011, there was no preferred stock outstanding.

Note 19. Accumulated Other Comprehensive Income (Loss)

Total accumulated other comprehensive income (loss) is included in the Consolidated Statement of Shareowners' Equity. Comprehensive Income (Loss) attributable to non-controlling interest consisted predominantly of net income. The changes in Accumulated Other Comprehensive Income (Loss) are as follows:

	Pretax	Tax	After Tax
Year Ended December 31, 2011			
Foreign exchange translation adjustment	$ (146)	$ —	$ (146)
Pensions and other post retirement benefit adjustments	(317)	108	(209)
Changes in fair value of available for sale investments	12	—	12
Changes in fair value of effective cash flow hedges	(41)	7	(34)
	$ (492)	$ 115	$ (377)
Year Ended December 31, 2010			
Foreign exchange translation adjustment	$ (249)	$ —	$ (249)
Pensions and other post retirement benefit adjustments	26	18	44
Changes in fair value of available for sale investments	90	—	90
Changes in fair value of effective cash flow hedges	(6)	2	(4)
	$ (139)	$ 20	$ (119)
Year Ended December 31, 2009			
Foreign exchange translation adjustment	$ 259	$ —	$ 259
Pensions and other post retirement benefit adjustments	(407)	136	(271)
Changes in fair value of available for sale investments (1)	112	—	112
Changes in fair value of effective cash flow hedges	38	(8)	30
	$ 2	$ 128	$ 130

(1) Includes reclassification adjustment for losses included in net income

Components of Accumulated Other Comprehensive Income (Loss)

	December 31, 2011	December 31, 2010
Cumulative foreign exchange translation adjustment	$ 74	$ 220
Pensions and other post retirement benefit adjustments	(1,650)	(1,441)
Change in fair value of available for sale investments	163	151
Change in fair value of effective cash flow hedges	(31)	3
	$ (1,444)	$ (1,067)

Note 20. Stock-Based Compensation Plans

We have stock-based compensation plans available to grant non-qualified stock options, incentive stock options, stock appreciation rights, restricted units and restricted stock to key employees. The 2011 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the Plan) was approved by the shareowners at the Annual Meeting of Shareowners effective on April 26, 2011. Following approval of the Plan on April 26, 2011 we have not and will not grant any new awards to key employees under any previously existing stock-based compensation plans. There were 39,582,132 shares available for future grants under the terms of the Plan at December 31, 2011. Additionally, under the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the Directors Plan) there were 229,000 shares of Honeywell common stock available for future grant as of December 31, 2011.

Stock Options—The exercise price, term and other conditions applicable to each option granted under our stock plans are generally determined by the Management Development and Compensation Committee of the Board. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share of our stock on that date. The fair value is recognized as an expense over the employee's requisite service period (generally the vesting period of the award). Options generally vest over a four-year period and expire after ten years.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from traded options on Honeywell common stock. We used a Monte Carlo simulation model to derive an expected term. Such model uses historical data to estimate option exercise activity and post-vest termination behavior. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant.

Compensation cost on a pre-tax basis related to stock options recognized in operating results (included in selling, general and administrative expenses) in 2011, 2010 and 2009 was $59, $55 and $39 million, respectively. The associated future income tax benefit recognized in 2011, 2010 and 2009 was $19, $16 and $13 million, respectively.

The following table sets forth fair value per share information, including related weighted-average assumptions, used to determine compensation cost:

	Years Ended December 31,		
	2011	2010	2009
Weighted average fair value per share of options granted during the year[(1)]	$ 12.56	$ 8.96	$ 6.73
Assumptions:			
Expected annual dividend yield	2.68%	3.00%	4.26%
Expected volatility	27.60%	29.39%	35.78%
Risk-free rate of return	2.47%	2.64%	2.53%
Expected option term (years)	5.8	5.4	5.8

(1) Estimated on date of grant using Black-Scholes option-pricing model.

The following table summarizes information about stock option activity for the three years ended December 31, 2011:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2008	40,933,522	$ 43.97
Granted	9,159,650	28.40
Exercised	(645,201)	31.66
Lapsed or canceled	(8,537,598)	53.90
Outstanding at December 31, 2009	40,910,373	38.58
Granted	7,607,950	40.29
Exercised	(5,211,526)	34.77
Lapsed or canceled	(2,515,266)	44.14
Outstanding at December 31, 2010	40,791,531	39.05
Granted	7,625,950	57.08
Exercised	(7,984,840)	36.39
Lapsed or canceled	(1,516,271)	42.38
Outstanding at December 31, 2011	38,916,370	$ 43.01
Vested and expected to vest at December 31, 2011(1)	35,845,642	$ 42.49
Exercisable at December 31, 2011	21,672,281	$ 40.71

(1) Represents the sum of vested options of 21.7 million and expected to vest options of 14.1 million. Expected to vest options are derived by applying the pre-vesting forfeiture rate assumption to total outstanding unvested options 17.2 million.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2011:

	Options Outstanding				Options Exercisable		
Range of Exercise prices	Number Outstanding	Weighted Average Life(1)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
$21.75–$32.99	8,037,712	5.90	$ 27.53	$ 216	4,346,486	$ 26.79	$ 120
$33.00–$39.99	5,219,120	2.75	36.22	95	5,219,120	36.22	95
$40.00–$49.99	14,259,988	6.31	42.61	167	8,978,375	43.96	93
$50.00–$74.95	11,399,550	8.10	57.52	—	3,128,300	58.23	—
	38,916,370	6.27	43.01	$ 478	21,672,281	40.71	$ 308

(1) Average remaining contractual life in years.

There were 24,722,493 and 27,427,023 options exercisable at weighted average exercise prices of $39.43 and $38.85 at December 31, 2010 and 2009, respectively.

The total intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during 2011, 2010 and 2009 was $164, $54 and $4 million, respectively. During 2011, 2010 and 2009, the amount of cash received from the exercise of stock options was $290, $181 and $20 million, respectively, with an associated tax benefit realized of $54, $18 and $1 million, respectively. In 2011, 2010 and 2009 we classified $42, $13 and $1 million, respectively, of this benefit as a financing cash inflow in the Consolidated Statement of Cash Flows, and the balance was classified as cash from operations.

At December 31, 2011 there was $119 million of total unrecognized compensation cost related to non-vested stock option awards which is expected to be recognized over a weighted-average period of 2.52 years. The total fair value of options vested during 2011, 2010 and 2009 was $52, $41 and $51 million, respectively.

Restricted Stock Units—Restricted stock unit (RSU) awards entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain key employees at fair market value at the date of grant as compensation. RSUs typically become fully vested over periods ranging from three to seven years and are payable in Honeywell common stock upon vesting.

The following table summarizes information about RSU activity for the three years ended December 31, 2011:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Non-vested at December 31, 2008	6,825,717	$ 46.63
Granted	3,691,129	30.16
Vested	(1,313,975)	40.44
Forfeited	(940,094)	44.51
Non-vested at December 31, 2009	8,262,777	40.49
Granted	3,842,367	42.33
Vested	(1,593,979)	48.71
Forfeited	(537,212)	40.45
Non-vested at December 31, 2010	9,973,953	39.89
Granted	1,887,733	55.11
Vested	(1,509,528)	49.48
Forfeited	(605,725)	40.11
Non-vested at December 31, 2011	9,746,433	$ 41.35

As of December 31, 2011, there was approximately $179 million of total unrecognized compensation cost related to non-vested RSUs granted under our stock plans which is expected to be recognized over a weighted-average period of 1.8 years. Compensation expense related to RSUs was $109, $109 and $79 million in 2011, 2010, and 2009, respectively.

Non-Employee Directors' Plan—Under the Directors' Plan each new non-employee director receives a one-time grant of 3,000 restricted stock units that will vest on the fifth anniversary of continuous Board service.

In 2011, each non-employee director received an annual grant to purchase 5,000 shares of common stock at the fair market value on the date of grant. In 2012, the annual equity grant will change from a fixed number of shares to a target value of $75,000 and will consist of 50 percent options and 50 percent RSUs. Options will become exercisable over a four-year period and expire after ten years. RSUs will generally vest on the third anniversary of the date of grant.

Note 21. Commitments and Contingencies

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is our policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of remedial investigations and feasibility studies, the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

The following table summarizes information concerning our recorded liabilities for environmental costs:

	Years Ended December 31,		
	2011	2010	2009
Beginning of year	$ 753	$ 779	$ 946
Accruals for environmental matters deemed probable and reasonably estimable	240	225	151
Environmental liability payments	(270)	(266)	(318)
Other	—	15	—
End of year	$ 723	$ 753	$ 779

Environmental liabilities are included in the following balance sheet accounts:

	December 31, 2011	December 31, 2010
Accrued liabilities	$ 303	$ 328
Other liabilities	420	425
	$ 723	$ 753

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that these environmental matters will have a material adverse effect on our consolidated financial position.

New Jersey Chrome Sites—The excavation and offsite disposal of approximately one million tons of chromium residue present at a predecessor Honeywell site located in Jersey City, New Jersey, known as Study Area 7, was completed in January 2010. We are also implementing related groundwater remedial actions, and are seeking the appropriate permits from state and federal agencies for related river sediment work approved by the federal court. Provisions have been made in our financial statements for the estimated cost of these remedies.

The above-referenced site is the most significant of the 21 sites located in Hudson County, New Jersey that are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993 (the "Honeywell ACO Sites"). Remedial investigations and activities consistent with the ACO and other applicable settlement orders have been conducted and are underway at the other Honeywell ACO Sites. In addition, a settlement order was entered by the New Jersey State Superior Court in the third quarter of 2011 resolving litigation brought by the NJDEP against Honeywell and two other companies regarding the investigation and remediation of the remaining sites in the area that allegedly have chromium contamination (known as the Publicly Funded Sites). Under the settlement, Honeywell has accepted responsibility to remediate 24 of the 53 Publicly Funded Sites and will also bear 50 percent of the costs at another 10 Publicly Funded Sites. Honeywell is developing a schedule for the investigation and remediation of these Publicly Funded Sites. We have recorded reserves for the Honeywell ACO Sites and the applicable Publicly Funded Sites where appropriate under the accounting policy described above.

Dundalk Marine Terminal, Baltimore, MD—Chrome residue from legacy chrome plant operations in Baltimore was deposited as fill at the Dundalk Marine Terminal ("DMT"), which is owned and operated by the Maryland Port Administration ("MPA"). Honeywell and the MPA have been sharing costs to investigate and mitigate related environmental issues, and have entered into a cost sharing agreement under which Honeywell will bear 77 percent of the costs of developing and implementing permanent remedies for the DMT facility. In January 2011, the MPA and Honeywell submitted to the Maryland Department of the Environment ("MDE") a Corrective Measures Alternatives Analysis ("CMAA") of certain potential remedies for DMT to assist MDE in selection of a final remedy, which has not yet occurred. Provision has been made in our financial statements for the CMAA consistent with the accounting policy described above. We have negotiated a Consent Decree with the MPA and MDE with respect to the investigation and remediation of the DMT facility. The Consent Decree is being challenged in federal court by BUILD, a Baltimore community group, together with a local church and two individuals (collectively "BUILD"). In October 2007, the Court dismissed with prejudice BUILD's state law claims and dismissed without prejudice BUILD's RCRA claims regarding neighborhoods near the DMT facility. In August 2008, the Court held a hearing on the Company's motion to dismiss BUILD's remaining claims on the grounds that MDE is diligently prosecuting the investigation and remediation of the DMT. We are awaiting the Court's decision. We do not believe that this matter will have a material adverse impact on our consolidated financial position or operating cash flows. Given the scope and complexity of this project, it is possible that the cost of remediation, when determinable, could have a material adverse impact on our results of operations in the periods recognized.

Onondaga Lake, Syracuse, NY—We are implementing a combined dredging/capping remedy of Onondaga Lake pursuant to a consent decree approved by the United States District Court for the Northern District of New York in January 2007. We have accrued for our estimated cost of remediating Onondaga Lake based on currently available information and analysis performed by our engineering consultants. Honeywell is also conducting remedial investigations and activities at other sites in Syracuse. We have recorded reserves for these investigations and activities where appropriate under the accounting policy described above.

Honeywell has entered into a cooperative agreement with potential natural resource trustees to assess alleged natural resource damages relating to this site. It is not possible to predict the outcome or duration of this assessment, or the amounts of, or responsibility for, any damages.

Asbestos Matters

Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants.

Honeywell's predecessors owned North American Refractories Company (NARCO) from 1979 to 1986. NARCO produced refractory products (bricks and cement used in high temperature applications). We sold the NARCO business in 1986 and agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO and/or Honeywell are defendants in asbestos personal injury cases asserting claims based upon alleged exposure to NARCO asbestos-containing products. Claimants consist largely of individuals who allege exposure to NARCO asbestos-containing refractory products in an occupational setting. These claims, and the filing of subsequent claims, have been stayed continuously since January 4, 2002, the date on which NARCO sought bankruptcy protection (see discussion below).

Honeywell's Bendix friction materials (Bendix) business manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. Claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements.

The following tables summarize information concerning NARCO and Bendix asbestos related balances:

Asbestos Related Liabilities

	Year Ended December 31, 2011			Year Ended December 31, 2010			Year Ended December 31, 2009		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	$ 594	$ 1,125	$ 1,719	$ 566	$ 1,128	$ 1,694	$ 578	$ 1,131	$ 1,709
Accrual for update to estimated liability	167	3	170	162	3	165	127	5	132
Change in estimated cost of future claims	16	—	16	16	—	16	11	—	11
Update of expected resolution values for pending claims	2	—	2	7	—	7	(2)	—	(2)
Asbestos related liability payments	(166)	(5)	(171)	(157)	(6)	(163)	(148)	(8)	(156)
End of year	$ 613	$ 1,123	$ 1,736	$ 594	$ 1,125	$ 1,719	$ 566	$ 1,128	$ 1,694

Insurance Recoveries for Asbestos Related Liabilities

	Year Ended December 31, 2011			Year Ended December 31, 2010			Year Ended December 31, 2009		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	$ 157	$ 718	$ 875	$ 172	$ 831	$ 1,003	$ 156	$ 877	$ 1,033
Probable insurance recoveries related to estimated liability	29	—	29	26	—	26	24	—	24
Insurance receipts for asbestos related liabilities	(34)	(100)	(134)	(41)	(100)	(141)	(8)	(8)	(16)
Insurance receivables settlements and write offs	10	—	10	—	(13)	(13)	—	(38)	(38)
End of year	$ 162	$ 618	$ 780	$ 157	$ 718	$ 875	$ 172	$ 831	$ 1,003

NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	December 31, 2011	December 31, 2010
Other current assets	$ 71	$ 50
Insurance recoveries for asbestos related liabilities	709	825
	$ 780	$ 875
Accrued liabilities	$ 237	$ 162
Asbestos related liabilities	1,499	1,557
	$ 1,736	$ 1,719

NARCO Products – On January 4, 2002, NARCO filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the filing of NARCO's petition in 2002, the Bankruptcy Court issued an injunction staying the prosecution of NARCO-related asbestos claims against the Company, which stay has continuously remained in place. In November 2007, the U.S. Bankruptcy Court for the Western District of Pennsylvania confirmed NARCO's Third Amended Plan of Reorganization (NARCO Plan of Reorganization). All challenges to the NARCO Plan of Reorganization were fully resolved in the third quarter of 2010. The NARCO Plan of Reorganization cannot become effective, however, until unrelated issues pertaining to certain NARCO affiliates which are pending in Bankruptcy Court are resolved. It is not possible to predict the timing or outcome of the Bankruptcy Court proceedings in the affiliates' case or whether discussions between the parties will resolve the matter. We expect that the stay enjoining litigation against NARCO and Honeywell will remain in effect until the effective date of the NARCO Plan of Reorganization.

In connection with NARCO's bankruptcy filing, we agreed to certain obligations which will be triggered upon the effective date of the NARCO Plan of Reorganization. Honeywell will provide NARCO with $20 million in financing and simultaneously forgive such indebtedness. We will also pay $40 million to NARCO's former parent company and $16 million to certain asbestos claimants whose claims were resolved during the pendency of the NARCO bankruptcy proceedings. These amounts have been classified as Accrued Liabilities in the Consolidated Balance Sheet as of December 31, 2011.

When the NARCO Plan of Reorganization becomes effective, in connection with its implementation, a federally authorized 524(g) trust ("NARCO Trust") will be established for the evaluation and resolution of all existing and future NARCO asbestos claims. When the NARCO Trust is established, both Honeywell and NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the Trust. The NARCO Trust will review submitted claims and determine award amounts in accordance with established Trust Distribution Procedures approved by the Bankruptcy Court which set forth all criteria claimants must meet to qualify for compensation including, among other things, exposure and medical criteria that determine the award amount.

Once the NARCO Trust is established and operational, Honeywell will be obligated to fund NARCO asbestos claims submitted to the trust which qualify for payment under the Trust Distribution Procedures, subject to annual caps up to $150 million in any year, provided, however, that the first $100 million of claims processed through the NARCO Trust (the "Initial Claims Amount") will not count against the first year annual cap and any unused portion of the Initial Claims Amount will roll over to subsequent years until fully utilized.

Once the NARCO Trust is established and operational, Honeywell will also be responsible for the following funding obligations which are not subject to the annual cap described above: a) previously approved payments due to claimants pursuant to settlement agreements reached during the pendency of the NARCO bankruptcy proceedings which provide that a portion of these settlements is to be paid by the NARCO Trust, which amounts are estimated at $130 million and are expected to be paid during the first year of trust operations and, b) payments due to claimants pursuant to settlement agreements reached during the pendency of the NARCO bankruptcy proceedings that provide for the right to submit claims to the NARCO Trust subject to qualification under the terms of the settlement agreements and Trust Distribution Procedures criteria, which amounts are estimated at $150 million and are expected to be paid during the first two years of trust operations.

Our consolidated financial statements reflect an estimated liability for the amounts discussed above, unsettled claims pending as of the time NARCO filed for bankruptcy protection and for the estimated value of future NARCO asbestos claims expected to be asserted against the NARCO Trust through 2018. In light of the uncertainties inherent in making long-term projections and in connection with the initial operation of a 524(g) trust, as well as the stay of all NARCO asbestos claims since January 2002, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. In the absence of actual trust experience on which to base the estimate, Honeywell projected the probable value, including trust claim handling costs, of asbestos related future liabilities based on Company specific and general asbestos claims filing rates, expected rates of disease and anticipated claim values. Specifically, the valuation methodology included an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO asbestos claims filing history, general asbestos claims filing rates in the tort system and in certain operating asbestos trusts, and the claims experience in those forums, the pending inventory of NARCO asbestos claims, disease criteria and payment values contained in the Trust Distribution Procedures and an estimated approval rate of claims submitted to the NARCO Trust. This methodology used to estimate the liability for future claims has been commonly accepted by numerous bankruptcy courts addressing 524(g) trusts and resulted in a range of estimated liability for future claims of $743 to $961 million. We believe that no amount within this range is a better estimate than any other amount and accordingly, we have recorded the minimum amount in the range.

Our insurance receivable corresponding to the liability for settlement of pending and future NARCO asbestos claims reflects coverage which reimburses Honeywell for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At December 31, 2011, a significant portion of this coverage is with insurance companies with whom we have agreements to pay full policy limits. We conduct analyses to determine the amount of insurance that we estimate is probable of recovery in relation to payment of current and estimated future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs.

In 2006, Travelers Casualty and Insurance Company ("Travelers") filed a declaratory judgment action in the Supreme Court of New York, County of New York against Honeywell and other insurance carriers that provide coverage for NARCO asbestos claims, seeking a declaration regarding coverage obligations for NARCO asbestos claims under high excess insurance coverage issued by Travelers and the other insurance carriers. The other insurance carriers asserted cross claims against Honeywell seeking declarations regarding their coverage obligations for NARCO asbestos claims under high excess insurance coverage issued by them. Since then, the Company has entered into settlement agreements resolving all NARCO-related asbestos coverage issues with certain of these insurance carriers, including Travelers. Approximately $57 million of remaining unsettled coverage is included in our NARCO-related insurance receivable at December 31, 2011. Honeywell believes it is entitled to the coverage at issue and expects to prevail in this matter. In 2007, Honeywell prevailed on a critical choice of law issue concerning the appropriate method of allocating NARCO-related asbestos liabilities to triggered policies. The plaintiffs appealed and the trial court's ruling was upheld by the intermediate appellate court in 2009. Plaintiffs' further appeal to the New York Court of Appeals, the highest court in New York, was denied in October 2009. A related New Jersey action brought by Honeywell has been dismissed, but all coverage claims against plaintiffs have been preserved in the New York action. Based upon (i) our understanding of relevant facts and applicable law, (ii) the terms of insurance policies at issue, (iii) our experience on matters of this nature, and (iv) the advice of counsel, we believe that the amount due from the remaining insurance carriers is probable of recovery. While Honeywell expects to prevail in this matter, an adverse outcome could have a material impact on our results of operations in the period recognized but would not be material to our consolidated financial position or operating cash flows.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities or assets to be higher or lower than those projected and recorded. There is no assurance that the plan of reorganization will become final, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we review our estimates periodically, and update them based on our experience and other relevant factors. Similarly, we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

Friction Products—The following tables present information regarding Bendix related asbestos claims activity:

Claims Activity	Year Ended December 31, 2011	2010
Claims Unresolved at the beginning of year	22,480	19,940
Claims Filed[(a)]	3,592	4,302
Claims Resolved[(b)]	(3,501)	(1,762)
Claims Unresolved at the end of year	22,571	22,480

(a) The number of claims filed in 2010 includes approximately 1,541 non-malignant claims (with an accrued liability of approximately $575 thousand in the aggregate), a majority of which had previously been dismissed in Mississippi and re-filed in Arkansas.

(b) The number of claims resolved in 2011 includes approximately 351 claims previously classified as inactive (82% non-malignant and accrued liability of approximately $1.7 million) which were activated during 2011. The number of claims resolved in 2010 includes approximately 1,300 claims previously classified as inactive (95% non-malignant and accrued liability of approximately $2.0 million) which were activated during 2010.

Disease Distribution of Unresolved Claims	December 31, 2011	2010
Mesothelioma and Other Cancer Claims	4,943	4,856
Nonmalignant Claims	17,628	17,624
Total Claims	22,571	22,480

Honeywell has experienced average resolution values per claim excluding legal costs as follows:

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(in whole dollars)				
Malignant claims	$ 48,000	$ 54,000	$ 50,000	$ 65,000	$ 33,000
Nonmalignant claims	$ 1,000	$ 1,300	$ 200	$ 1,500	$ 500

It is not possible to predict whether resolution values for Bendix related asbestos claims will increase, decrease or stabilize in the future.

Our consolidated financial statements reflect an estimated liability for resolution of pending (claims actually filed as of the financial statement date) and future Bendix related asbestos claims. We have valued Bendix pending and future claims using average resolution values for the previous five years. We update the resolution values used to estimate the cost of Bendix pending and future claims during the fourth quarter each year.

The liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against Bendix over the next five years. Such estimated cost of future Bendix related asbestos claims is based on historic claims filing experience and dismissal rates, disease classifications, and resolution values in the tort system for the previous five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years. The methodology used to estimate the liability for future claims is similar to that used to estimate the future NARCO related asbestos claims liability.

Our insurance receivable corresponding to the liability for settlement of pending and future Bendix asbestos claims reflects coverage which is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Based on our ongoing analysis of the probable insurance recovery, insurance receivables are recorded in the financial statements simultaneous with the recording of the estimated liability for the underlying asbestos claims. This determination is based on our analysis of the underlying insurance policies, our historical experience with our insurers, our ongoing review of the solvency of our insurers, our interpretation of judicial determinations relevant to our insurance programs, and our consideration of the impacts of any settlements reached with our insurers. Insurance receivables are also recorded when structured insurance settlements provide for future fixed payment streams that are not contingent upon future claims or other events. Such amounts are recorded at the net present value of the fixed payment stream.

On a cumulative historical basis, Honeywell has recorded insurance receivables equal to approximately 40 percent of the value of the underlying asbestos claims recorded. However, because there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods, and insurance settlements, this rate is expected to decline for any future Bendix related asbestos liabilities that may be recorded. Future recoverability rates may also be impacted by numerous other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict. Assuming continued defense and indemnity spending at current levels, we estimate that the cumulative recoverability rate could decline over the next five years to approximately 33 percent.

Honeywell believes it has sufficient insurance coverage and reserves to cover all pending Bendix related asbestos claims and Bendix related asbestos claims estimated to be filed within the next five years. Although it is impossible to predict the outcome of either pending or future Bendix related asbestos claims, we do not believe that such claims would have a material adverse effect on our consolidated financial position in light of our insurance coverage and our prior experience in resolving such claims. If the rate and types of claims filed, the average resolution value of such claims and the period of time over which claim settlements are paid (collectively, the "Variable Claims Factors") do not substantially change, Honeywell would not expect future Bendix related asbestos claims to have a material adverse effect on our results of operations or operating cash flows in any fiscal year. No assurances can be given, however, that the Variable Claims Factors will not change.

Other Matters

We are subject to a number of other lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these other matters are the following:

Allen, et al. v. Honeywell Retirement Earnings Plan—Pursuant to a settlement approved by the U.S. District Court for the District of Arizona in February 2008, 18 of 21 claims alleged by plaintiffs in this class action lawsuit were dismissed with prejudice in exchange for approximately $35 million (paid from the Company's pension plan) and the maximum aggregate liability for the remaining three claims (alleging that Honeywell impermissibly reduced the pension benefits of certain employees of a predecessor entity when the plan was amended in 1983 and failed to calculate benefits in accordance with the terms of the plan) was capped at $500 million. In October 2009, the Court granted summary judgment in favor of the Honeywell Retirement Earnings Plan with respect to the claim regarding the calculation of benefits. In May 2011, the parties engaged in mediation and reached an agreement in principle to settle the three remaining claims for $23.8 million (also to be paid from the Company's pension plan). Settlement documents have been submitted to the court for classwide approval. A preliminary settlement order has been approved by the court and a fairness hearing on the settlement is scheduled for April 2012. Upon court approval of the settlement, all claims in this matter will be fully resolved.

Quick Lube—On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that twelve filter manufacturers, including Honeywell, engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket automotive filters. This suit is a purported class action on behalf of direct purchasers of filters from the defendants. Parallel purported class actions, including on behalf of indirect purchasers of filters, have been filed by other plaintiffs in a variety of jurisdictions in the United States and Canada. The U.S cases have been consolidated into a single multi-district litigation in the Northern District of Illinois. In June 2011, plaintiff's principal witness pled guilty to a felony count of having made false statements to federal investigators. In February 2012, Honeywell reached an agreement in principle to resolve the multi-district litigation class action as to all plaintiffs, subject to finalization of the agreement and approval by the court. As previously reported, the Antitrust Division of the Department of Justice notified Honeywell in January

2010 that it had officially closed its investigation into possible collusion in the replacement auto filters industry.

Honeywell v. United Auto Workers ("UAW") et. al—In July 2011, Honeywell filed an action in federal court (District of New Jersey) against the UAW and all former employees who retired under a series of Master Collective Bargaining Agreements ("MCBAs") between Honeywell and the UAW. The Company is seeking a declaratory judgment that certain express limitations on its obligation to contribute toward the healthcare coverage of such retirees (the "CAPS") set forth in the MCBAs may be implemented, effective January 1, 2012. In September 2011, the UAW and certain retiree defendants filed a motion to dismiss the New Jersey action and filed suit in the Eastern District of Michigan alleging that the MCBAs do not provide for CAPS on the Company's liability for healthcare coverage. The UAW and retiree plaintiffs subsequently filed a motion for class certification and a motion for partial summary judgment in the Michigan action, seeking a ruling that retirees who retired prior to the initial inclusion of the CAPS in the 2003 MCBA are not covered by the CAPS as a matter of law. In December 2011, the New Jersey action was dismissed on jurisdictional grounds. Honeywell has filed a motion for expedited review of the New Jersey court's dismissal with the United States Court of Appeals for the Third Circuit and the parties are awaiting the court's instructions with respect to how the Michigan action is to proceed. Honeywell is confident that the CAPS will be upheld and that its liability for healthcare coverage premiums with respect to the putative class will be limited as negotiated and expressly set forth in the applicable MCBAs. In the event of an adverse ruling, however, Honeywell's other postretirement benefits for pre-2003 retirees would increase by approximately $150 million, reflecting the estimated value of these CAPS.

Given the uncertainty inherent in litigation and investigations (including the specific matters referenced above), we do not believe it is possible to develop estimates of reasonably possible loss in excess of current accruals for these matters. Considering our past experience and existing accruals, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our consolidated financial position. Because most contingencies are resolved over long periods of time, potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements, which could cause us to pay damage awards or settlements (or become subject to equitable remedies) that could have a material adverse effect on our results of operations or operating cash flows in the periods recognized or paid.

Warranties and Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2011:

	Maximum Potential Future Payments
Operating lease residual values	$ 43
Other third parties' financing	5
Unconsolidated affiliates' financing	12
Customer financing	13
	$ 73

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

In the normal course of business we issue product warranties and product performance guarantees. We accrue for the estimated cost of product warranties and performance guarantees based on contract terms and historical experience at the time of sale. Adjustments to initial obligations for warranties and guarantees are made as changes in the obligations become reasonably estimable. The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees:

	Years Ended December 31,		
	2011	2010	2009
Beginning of year	$ 415	$ 407	$ 417
Accruals for warranties/guarantees issued during the year	197	214	188
Adjustment of pre-existing warranties/guarantees	(2)	(13)	(7)
Settlement of warranty/guarantee claims	(208)	(193)	(191)
End of year	$ 402	$ 415	$ 407

Product warranties and product performance guarantees are included in the following balance sheet accounts:

	2011	2010
Accrued liabilities	$ 364	$ 380
Other liabilities	38	35
	$ 402	$ 415

Note 22. Pension and Other Postretirement Benefits

We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. Pension benefits for substantially all U.S. employees are provided through non-contributory, qualified and non-qualified defined benefit pension plans. U.S. defined benefit pension plans comprise 77 percent of our projected benefit obligation. Non-U.S. employees, who are not U.S. citizens, are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes. Non-U.S. defined benefit pension plans comprise 23 percent of our projected benefit obligation.

We also sponsor postretirement benefit plans that provide health care benefits and life insurance coverage to eligible retirees. Our retiree medical plans mainly cover U.S. employees who retire with pension eligibility for hospital, professional and other medical services. Most of the U.S. retiree medical plans require deductibles and copayments, and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. All non-union hourly and salaried employees joining Honeywell after January 1, 2000 are not eligible to participate in our retiree medical and life insurance plans. Only approximately 5 percent of Honeywell's U.S. employees are eligible for a retiree medical subsidy from the Company; and this subsidy is limited to a fixed-dollar amount. In addition more than half of its current retirees either have no Company subsidy or have a fixed dollar subsidy amount. This significantly limits our exposure to the impact of future health care cost increases. The retiree medical and life insurance plans are not funded. Claims and expenses are paid from our operating cash flow.

In 2011, in connection with new collective bargaining agreements reached with several of its union groups, Honeywell amended its U.S. retiree medical plans eliminating the subsidy for those union employees resulting in curtailment gains totaling $167 million. The curtailment gains represent the recognition in net periodic postretirement benefit cost of prior service credits attributable to the future years of service of the union groups for which future accrual of benefits has been eliminated.

In 2010, Honeywell amended its U.S. retiree medical plan to no longer offer certain post-age-65 retirees Honeywell group coverage and facilitate their purchase of an individual plan in the Medicare marketplace. This plan amendment reduced the accumulated postretirement benefit obligation by $137 million which will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy. Also in 2010, in connection with a new collective bargaining agreement reached with one of its union groups, Honeywell amended its U.S. retiree medical plan eliminating the subsidy for those union employees who retire after February 1, 2013. This plan amendment reduced the accumulated postretirement benefit obligation by $39 million which will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy. This plan amendment also resulted in a curtailment gain of $37 million in 2010 which represented the recognition in net periodic postretirement benefit cost of prior service credits attributable to the future years of service of the union group for which future accrual of benefits was eliminated.

In 2009, Honeywell amended the U.S. retiree medical plan eliminating the subsidy for active non-union employees who retire after September 1, 2009. Employees already retired or who retired on or before September 1, 2009 were not affected by this change. This plan amendment reduced the accumulated postretirement benefit obligation by $180 million representing the elimination of benefits attributable to years of service already rendered by active non-union employees who are not eligible to retire and those eligible non-union employees who were assumed not to retire prior to September 1, 2009. This reduction in the accumulated postretirement benefit obligation will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy. This plan amendment also resulted in a curtailment gain of $98 million in 2009 which represented the recognition in net periodic post retirement benefit cost of prior service credits attributable to the future years of service of the employee group for which future accrual of benefits was eliminated.

The following tables summarize the balance sheet impact, including the benefit obligations, assets and funded status associated with our significant pension and other postretirement benefit plans at December 31, 2011 and 2010.

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2011	2010	2011	2010
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 14,990	$ 13,620	$ 4,373	$ 4,266
Service cost	232	221	59	51
Interest cost	761	768	239	228
Plan amendments	5	117	—	—
Actuarial losses	566	1,211	171	150
Divestitures	(26)	—	—	—
Benefits paid	(952)	(947)	(189)	(181)
Settlements and curtailments	—	—	(25)	—
Other	24	—	20	(141)
Benefit obligation at end of year	15,600	14,990	4,648	4,373
Change in plan assets:				
Fair value of plan assets at beginning of year	12,181	10,306	3,939	3,488
Actual return on plan assets	(41)	1,788	87	414
Company contributions	1,681	1,034	124	313
Divestitures	(33)	—	—	—
Benefits paid	(952)	(947)	(189)	(181)
Settlements and curtailments	—	—	(25)	—
Other	—	—	22	(95)
Fair value of plan assets at end of year	12,836	12,181	3,958	3,939
Funded status of plans	$ (2,764)	$ (2,809)	$ (690)	$ (434)
Amounts recognized in Consolidated Balance Sheet consist of:				
Prepaid pension benefit cost(1)	$ —	$ —	$ 84	$ 135
Accrued pension liability(2)	(2,764)	(2,809)	(774)	(569)
Net amount recognized	$ (2,764)	$ (2,809)	$ (690)	$ (434)

(1) Included in Other Assets on Consolidated Balance Sheet
(2) Included in Other Liabilities - Non-Current on Consolidated Balance Sheet

	Other Postretirement Benefits	
	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,628	$ 1,748
Service cost	1	2
Interest cost	69	81
Plan amendments	(22)	(176)
Actuarial losses	6	160
Benefits paid	(138)	(187)
Settlements and curtailments	(10)	—
Benefit obligation at end of year	1,534	1,628
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Actual return on plan assets	—	—
Company contributions	—	—
Benefits paid	—	—
Fair value of plan assets at end of year	—	—
Funded status of plans	$ (1,534)	$ (1,628)
Amounts recognized in Consolidated Balance Sheet consist of:		
Accrued liabilities	(167)	(197)
Postretirement benefit obligations other than pensions(1)	(1,367)	(1,431)
Net amount recognized	$ (1,534)	$ (1,628)

(1) Excludes Non-U.S. plans of $50 and $46 million in 2011 and 2010, respectively.

Amounts recognized in Accumulated Other Comprehensive (Income) Loss associated with our significant pension and other postretirement benefit plans at December 31, 2011 and 2010 are as follows.

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2011	2010	2011	2010
Transition obligation	$ —	$ —	$ 7	$ 9
Prior service cost (credit)	148	177	(17)	(19)
Net actuarial loss	1,559	1,499	430	321
Net amount recognized	$ 1,707	$ 1,676	$ 420	$ 311

	Other Postretirement Benefits	
	2011	2010
Prior service (credit)	$ (67)	$ (264)
Net actuarial loss	391	425
Net amount recognized	$ 324	$ 161

The components of net periodic benefit cost and other amounts recognized in other comprehensive (income) loss for our significant plans for the years ended December 31, 2011, 2010, and 2009 include the following components:

Net Periodic Benefit Cost	Pension Benefits					
	U.S. Plans			Non-U.S. Plans		
	2011	2010	2009	2011	2010	2009
Service cost	$ 232	$ 221	$ 183	$ 59	$ 51	$ 41
Interest cost	761	768	785	239	228	208
Expected return on plan assets	(1,014)	(902)	(767)	(284)	(248)	(221)
Amortization of transition obligation	—	—	—	2	1	1
Amortization of prior service cost (credit)	33	32	26	(2)	(1)	(1)
Recognition of actuarial losses	1,568	182	447	234	289	308
Settlements and curtailments	24	—	—	1	4	—
Net periodic benefit cost	$ 1,604	$ 301	$ 674	$ 249	$ 324	$ 336

Other Changes in Plan Assets and Benefits Obligations Recognized in Other Comprehensive (Income) Loss	U.S. Plans			Non-U.S. Plans		
	2011	2010	2009	2011	2010	2009
Actuarial (gains)/losses	$ 1,628	$ 325	$ 686	$ 368	$ (20)	$ 449
Prior service cost (credit)	5	117	—	—	—	2
Transition obligation recognized during year	—	—	—	(2)	(1)	(1)
Prior service (cost) credit recognized during year	(33)	(32)	(26)	2	1	1
Actuarial losses recognized during year	(1,568)	(182)	(447)	(234)	(289)	(308)
Foreign exchange translation adjustments	—	—	—	(11)	(17)	42
Total recognized in other comprehensive (income) loss	$ 32	$ 228	$ 213	$ 123	$ (326)	$ 185
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$ 1,636	$ 529	$ 887	$ 372	$ (2)	$ 521

The estimated prior service cost for pension benefits that will be amortized from accumulated other comprehensive (income) loss into net periodic benefit cost in 2012 are expected to be $28 million and $(2) million for U.S. and Non-U.S. benefit plans, respectively.

Net Periodic Benefit Cost	Other Postretirement Benefits Years Ended December 31, 2011	2010	2009
Service cost	$ 1	$ 2	$ 6
Interest cost	69	81	104
Amortization of prior service (credit)	(34)	(44)	(44)
Recognition of actuarial losses	38	34	13
Settlements and curtailments	(167)	(47)	(98)
Net periodic benefit (income) cost	$ (93)	$ 26	$ (19)

Other Changes in Plan Assets and Benefits Obligations Recognized in Other Comprehensive (Income) Loss	Years Ended December 31, 2011	2010	2009
Actuarial losses	$ 6	$ 160	$ 46
Prior service (credit)	(21)	(176)	(180)
Prior service credit recognized during year	34	44	44
Actuarial losses recognized during year	(38)	(34)	(13)
Settlements and curtailments	167	47	98
Total recognized in other comprehensive loss (income)	$ 148	$ 41	$ (5)
Total recognized in net periodic benefit cost and other comprehensive loss (income)	$ 55	$ 67	$ (24)

The estimated net loss and prior service (credit) for other postretirement benefits that will be amortized from accumulated other comprehensive (income) loss into net periodic benefit cost in 2012 are expected to be $40 and $(15) million, respectively.

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit cost for our significant benefit plans are presented in the following table.

	Pension Benefits U.S. Plans 2011	2010	2009	Non-U.S. Plans 2011	2010	2009
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	4.89%	5.25%	5.75%	4.84%	5.40%	5.71%
Expected annual rate of compensation increase	4.50%	4.50%	4.50%	3.67%	3.79%	3.87%
Actuarial assumptions used to determine net periodic benefit cost for years ended December 31:						
Discount rate	5.25%	5.75%	6.95%	5.40%	5.71%	6.21%
Expected rate of return on plan assets	8.00%	9.00%	9.00%	7.06%	7.51%	7.52%
Expected annual rate of compensation increase	4.50%	4.50%	4.50%	3.79%	3.87%	3.33%

	Other Postretirement Benefits		
	2011	2010	2009
Actuarial assumptions used to determine benefit obligations as of December 31:			
Discount rate	4.00%	4.70%	5.25%
Actuarial assumptions used to determine net periodic benefit cost for years ended December 31:			
Discount rate	4.70%	5.25%	6.00%

The discount rate for our U.S. pension and other postretirement benefits plans reflects the current rate at which the associated liabilities could be settled at the measurement date of December 31. To determine discount rates for our U.S. pension and other postretirement benefit plans, we use a modeling process that involves matching the expected cash outflows of our benefit plans to a yield curve constructed from a portfolio of high quality, fixed-income debt instruments. We use the average yield of this hypothetical portfolio as a discount rate benchmark. The discount rate used to determine the other postretirement benefit obligation is lower principally due to a shorter expected duration of other postretirement plan obligations as compared to pension plan obligations.

Our expected rate of return on U.S. plan assets of 8 percent is a long-term rate based on historical plan asset returns over varying long-term periods combined with our expectations on future market conditions and the asset mix of the plan's investments. We review the expected rate of return on an annual basis and revise it as appropriate.

For non-U.S. benefit plans, none of which was individually material, assumptions reflect economic assumptions applicable to each country.

Pension Benefits

Included in the aggregate data in the tables above are the amounts applicable to our pension plans with accumulated benefit obligations exceeding the fair value of plan assets. Amounts related to such plans were as follows:

	December 31,			
	U.S. Plans		Non-U.S. Plans	
	2011	2010	2011	2010
Projected benefit obligation	$ 15,600	$ 14,990	$ 4,141	$ 1,990
Accumulated benefit obligation	$ 14,845	$ 14,260	$ 3,912	$ 1,883
Fair value of plan assets	$ 12,836	$ 12,181	$ 3,367	$ 1,474

Accumulated benefit obligation for our U.S. defined benefit pension plans were $14.8 and $14.3 billion and our Non-U.S. defined benefit plans were $4.4 and $4.1 billion at December 31, 2011 and 2010, respectively.

Our asset investment strategy for our U.S. pension plans focuses on maintaining a diversified portfolio using various asset classes in order to achieve our long-term investment objectives on a risk adjusted basis. Our actual invested positions in various securities change over time based on short and longer-term investment opportunities. To achieve our objectives, we have established long-term target allocations as follows: 60-70 percent equity securities, 10-20 percent fixed income securities and cash, 5-15 percent real estate investments, and 10-20 percent other types of investments. Equity securities include publicly-traded stock of companies located both inside and outside the United States. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Real estate investments include direct investments in commercial properties and investments in real estate funds. Other types of investments include investments in private equity and hedge funds that follow several different strategies. We review our assets on a regular basis to ensure that we are within the targeted asset allocation ranges and, if necessary, asset balances are adjusted back within target allocations.

Our non-U.S. pension assets are typically managed by decentralized fiduciary committees with the Honeywell Corporate Investments group providing standard funding and investment guidance. Local regulations, local funding rules, and local financial and tax considerations are part of the funding and investment allocation process in each country. While our non-U.S. investment policies are different for each country, the long-term investment objectives are generally the same as those for the U.S. pension assets.

The fair values of both our U.S. and non-U.S. pension plans assets at December 31, 2011 and 2010 by asset category are as follows:

	U.S. Plans December 31, 2011			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
Honeywell common stock	$ 1,012	$ 1,012	$ —	$ —
U.S. large cap stocks	2,697	2,416	281	—
U.S. mid cap stocks	1,087	1,087	—	—
U.S. small cap stocks	272	272	—	—
International stocks	2,010	1,993	17	—
Real estate investment trusts	32	32	—	—
Fixed income investments:				
Short term investments	941	941	—	—
Government securities	291	—	291	—
Corporate bonds	1,984	—	1,984	—
Mortgage/Asset-Backed securities	435	—	435	—
Insurance contracts	6	—	6	—
Investments in private funds:				
Private funds	1,039	—	—	1,039
Hedge funds	60	—	—	60
Real estate funds	256	—	—	256
Direct investments:				
Direct private investments	161	—	—	161
Real estate properties	553	—	—	553
	$ 12,836	$ 7,753	$ 3,014	$ 2,069

	U.S. Plans December 31, 2010			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
Honeywell common stock	$ 986	$ 986	$ —	$ —
U.S. large cap stocks	2,349	2,349	—	—
U.S. mid cap stocks	1,049	1,049	—	—
U.S. small cap stocks	301	301	—	—
International stocks	2,197	2,176	21	—
Real estate investment trusts	38	38	—	—
Fixed income investments:				
Short term investments	1,242	1,242	—	—
Government securities	240	—	240	—
Corporate bonds	1,342	—	1,342	—
Mortgage/Asset-Backed securities	422	—	422	—
Insurance contracts	10	—	10	—
Investments in private funds:				
Private funds	1,053	—	—	1,053
Hedge funds	77	—	—	77
Real estate funds	214	—	—	214
Direct investments:				
Direct private investments	167	—	—	167
Real estate properties	494	—	—	494
	$ 12,181	$ 8,141	$ 2,035	$ 2,005

	Non-U.S. Plans			
	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
U.S. companies	$ 371	$ 249	$ 122	$ —
Non-U.S. companies	1,343	233	1,110	—
Fixed income investments:				
Short-term investments	78	78	—	—
Government securities	1,175	—	1,175	—
Corporate bonds	463	—	463	—
Mortgage/Asset-backed securities	5	—	5	—
Insurance contracts	197	—	197	—
Investments in private funds:				
Private funds	112	—	—	112
Hedge funds	54	—	—	54
Real estate funds	160	—	—	160
	$ 3,958	$ 560	$ 3,072	$ 326

	Non-U.S. Plans			
	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Common stock/preferred stock:				
U.S. companies	$ 338	$ 327	$ 11	$ —
Non-U.S. companies	1,556	336	1,220	—
Fixed income investments:				
Short-term investments	176	176	—	—
Government securities	915	—	915	—
Corporate bonds	431	—	431	—
Mortgage/Asset-backed securities	14	—	14	—
Insurance contracts	196	—	196	—
Investments in private funds:				
Private funds	89	—	—	89
Hedge funds	55	—	—	55
Real estate funds	169	—	—	169
	$ 3,939	$ 839	$ 2,787	$ 313

The following tables summarize changes in the fair value of Level 3 assets for the years ended December 31, 2011 and 2010:

	U.S. Plans				
	Private Funds	Direct Private Investments	Hedge Funds	Real Estate Funds	Real Estate Properties
Balance at December 31, 2009	$ 911	$ 149	$ 78	$ 132	$ 452
Actual return on plan assets:					
Relating to assets still held at year-end	42	(9)	11	36	45
Relating to assets sold during the year	29	—	1	1	10
Purchases, sales and settlements	71	27	(13)	45	(13)
Balance at December 31, 2010	1,053	167	77	214	494
Actual return on plan assets:					
Relating to assets still held at year-end	(9)	4	(7)	26	41
Relating to assets sold during the year	—	8	4	—	—
Purchases, sales and settlements	(5)	(18)	(14)	16	18
Balance at December 31, 2011	$ 1,039	$ 161	$ 60	$ 256	$ 553

	Non-U.S. Plans		
	Private Funds	Hedge Funds	Real Estate Funds
Balance at December 31, 2009	$ 81	$ 51	$ 137
Actual return on plan assets:			
Relating to assets still held at year-end	2	4	2
Relating to assets sold during the year	3	—	5
Purchases, sales and settlements	3	—	25
Balance at December 31, 2010	89	55	169
Actual return on plan assets:			
Relating to assets still held at year-end	2	(1)	7
Relating to assets sold during the year	3	—	2
Purchases, sales and settlements	18	—	(18)
Balance at December 31, 2011	$ 112	$ 54	$ 160

Our U.S. pension assets at December 31, 2011 and 2010 include $976 and $834 million, respectively, in notional derivative exposure primarily related to outstanding equity futures contracts. The Company enters into futures contracts to gain exposure to certain markets.

Common stocks, preferred stocks, real estate investment trusts, and short-term investments are valued at the closing price reported in the active market in which the individual securities are traded. Corporate bonds, mortgages, asset-backed securities, and government securities are valued either by using pricing models, bids provided by brokers or dealers, quoted prices of securities with similar characteristics or discounted cash flows and as such include adjustments for certain risks that may not be observable such as credit and liquidity risks. Certain securities are held in commingled funds which are valued using net asset values provided by the administrators of the funds. Investments in private equity, debt, real estate and hedge funds and direct private investments are valued at estimated fair value based on quarterly financial information received from the investment advisor and/or general partner. Investments in real estate properties are valued on a quarterly basis using the income approach. Valuation estimates are periodically supplemented by third party appraisals.

Our general funding policy for qualified pension plans is to contribute amounts at least sufficient to satisfy regulatory funding standards. In 2011, 2010 and 2009, we were not required to make contributions to our U.S. pension plans, however, we made voluntary contributions of $1,650, $1,000 and $740 million, respectively, primarily to improve the funded status of our plans. These contributions do not reflect benefits paid directly from Company assets. In 2012, we expect to make cash contributions of $800 million to $1 billion ($250 million was made in January 2012) to our global defined benefit pension plans principally to improve the funded status of our plans and also to satisfy regulatory funding standards in our non-U.S. plans.

Benefit payments, including amounts to be paid from Company assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

	U.S. Plans	Non-U.S. Plans
2012	$ 1,025	$ 185
2013	1,025	189
2014	1,051	193
2015	1,101	197
2016	1,084	203
2017-2021	5,473	1,097

Other Postretirement Benefits

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) provides subsidies for employers that sponsor postretirement health care plans that provide prescription drug coverage that is at least actuarially equivalent to that offered by Medicare Part D. The March 2010 enactment of the Patient Protection and Affordable Care Act, including modifications made in the Health Care and Education Reconciliation Act of 2010 resulted in a one-time, non-cash charge of $13 million related to income taxes in the first quarter of 2010. The charge results from a change in the tax treatment of the Medicare Part D program.

	December 31,	
	2011	2010
Assumed health care cost trend rate:		
Health care cost trend rate assumed for next year	7.50%	8.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate it is assumed to remain at	2017	2017

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	1 percentage point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 5	$ (3)
Effect on postretirement benefit obligation	$ 126	$ (80)

Benefit payments reflecting expected future service, as appropriate, are expected to be paid as follows:

	Without Impact of Medicare Subsidy		Net of Medicare Subsidy	
2012	$	180	$	167
2013		168		156
2014		157		145
2015		147		136
2016		137		126
2017-2021		551		499

Employee Savings Plans

We sponsor employee savings plans under which we match, in the form of our common stock, savings plan contributions for certain eligible employees. Shares issued under the stock match plans were 2.6, 2.4, and 4.8 million at a cost of $138, $105 and $158 million in 2011, 2010, and 2009, respectively.

Note 23. Segment Financial Data

We globally manage our business operations through four reportable operating segments serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, automotive products and chemicals. Segment information is consistent with how management reviews the businesses, makes investing and resource allocation decisions and assesses operating performance. Our four reportable segments are as follows:

- Aerospace includes Air Transport and Regional, Business and General Aviation and Defense and Space and provides products and services which include auxiliary power units; propulsion engines; environmental control systems; electric power systems, engine controls; repair and overhaul services; flight safety, communications, navigation, radar and surveillance systems; aircraft lighting; management and technical services; logistic services; advanced systems and instruments; and aircraft wheels and brakes.
- Automation and Control Solutions includes Energy, Safety & Security (controls for heating, cooling, indoor air quality, ventilation, humidification, lighting and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance equipment; remote patient monitoring systems; and automatic identification and data collection); Process Solutions (provides a full range of automation and control solutions for industrial plants, offering advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings as well as equipment that controls, measures and analyzes natural gas production and transportation); and Building Solutions & Distribution (installs, distributes, maintains and upgrades systems that keep buildings safe, comfortable and productive).
- Performance Materials and Technologies includes Advanced Materials (fluorocarbons, hydrofluoroolefins, caprolactam, resins, ammonium sulfate for fertilizer, specialty films, waxes, additives, advanced fibers, customized research chemicals and intermediates, and electronic materials and chemicals) and UOP (catalysts and adsorbents).
- Transportation Systems includes turbochargers, thermal systems, brake hard parts and other friction materials.

The accounting policies of the segments are the same as those described in Note 1. Honeywell's senior management evaluates segment performance based on segment profit. Segment profit is measured as business unit income (loss) before taxes excluding general corporate unallocated expense, other income (expense), interest and other financial charges, pension and other postretirement benefits (expense), stock compensation expense, repositioning and other charges and accounting changes.

	Years Ended December 31,		
	2011	2010	2009
Net Sales			
Aerospace			
Product	$ 6,494	$ 5,868	$ 5,930
Service	4,981	4,815	4,833
Total	11,475	10,683	10,763
Automation and Control Solutions			
Product	13,328	11,733	10,699
Service	2,207	2,016	1,912
Total	15,535	13,749	12,611
Performance Materials and Technologies			
Product	5,064	4,449	3,895
Service	595	277	249
Total	5,659	4,726	4,144
Transportation Systems			
Product	3,859	3,192	2,432
Service	—	—	—
Total	3,859	3,192	2,432
Corporate			
Product	—	—	—
Service	1	—	1
Total	1	—	1
	$ 36,529	$ 32,350	$ 29,951
Depreciation and amortization			
Aerospace	$ 208	$ 224	$ 217
Automation and Control Solutions	364	368	352
Performance Materials and Technologies	216	222	209
Transportation Systems	96	97	98
Corporate	64	59	60
	$ 948	$ 970	$ 936
Segment Profit			
Aerospace	$ 2,023	$ 1,835	$ 1,893
Automation and Control Solutions	2,083	1,770	1,588
Performance Materials and Technologies	1,042	749	605
Transportation Systems	485	353	61
Corporate	(276)	(222)	(156)
	$ 5,357	$ 4,485	$ 3,991
Capital expenditures			
Aerospace	$ 174	$ 158	$ 184
Automation and Control Solutions	153	131	114
Performance Materials and Technologies	282	188	153
Transportation Systems	133	78	66
Corporate	48	89	88
	$ 790	$ 644	$ 605

	December 31,		
	2011	2010	2009
Total Assets			
Aerospace	$ 9,109	$ 8,604	$ 8,386
Automation and Control Solutions	19,127	18,183	15,474
Performance Materials and Technologies	5,402	4,938	4,657
Transportation Systems	1,991	1,806	1,680
Corporate	4,179	4,303	5,796
	$ 39,808	$ 37,834	$ 35,993

A reconciliation of segment profit to consolidated income from continuing operations before taxes are as follows:

	Years Ended December 31, 2011	2010	2009
Segment Profit	$ 5,357	$ 4,485	$ 3,991
Other income/ (expense)(1)	33	69	28
Interest and other financial charges	(376)	(386)	(458)
Stock compensation expense(2)	(168)	(163)	(117)
Pension expense-ongoing(2)	(105)	(185)	(287)
Pension mark-to-market adjustment(2)	(1,802)	(471)	(741)
Other postretirement income/(expense)(2)	86	(29)	15
Repositioning and other charges (2)	(743)	(598)	(467)
Income from continuing operations before taxes	$ 2,282	$ 2,722	$ 1,964

(1) Equity income/(loss) of affiliated companies is included in Segment Profit.

(2) Amounts included in cost of products and services sold and selling, general and administrative expenses.

Note 24. Geographic Areas - Financial Data

	Net Sales(1) Years Ended December 31,			Long-lived Assets(2) Years Ended December 31,		
	2011	2010	2009	2011	2010	2009
United States	$ 21,005	$ 18,858	$ 18,000	$ 12,426	$ 12,267	$ 11,645
Europe	9,604	8,367	7,594	3,991	3,973	3,798
Other International	5,920	5,125	4,357	2,728	2,296	2,072
	$ 36,529	$ 32,350	$ 29,951	$ 19,145	$ 18,536	$ 17,515

(1) Sales between geographic areas approximate market and are not significant. Net sales are classified according to their country of origin. Included in United States net sales are export sales of $4,549, $3,629 and $3,548 million in 2011, 2010 and 2009, respectively.

(2) Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets.

Note 25. Supplemental Cash Flow Information

	Years Ended December 31, 2011	2010	2009
Payments for repositioning and other charges:			
Severance and exit cost payments	$ (161)	$ (151)	$ (200)
Environmental payments	(270)	(266)	(318)
Insurance receipts for asbestos related liabilities	134	141	16
Asbestos related liability payments	(171)	(163)	(156)
	$ (468)	$ (439)	$ (658)
Interest paid, net of amounts capitalized	$ 378	$ 410	$ 469
Income taxes paid, net of refunds	578	80	361
Non-cash investing and financing activities:			
Common stock contributed to savings plans	138	105	153
Common stock contributed to U.S. pension plans	—	400	740
Marketable securities contributed to non-U.S. pension plans	—	242	—

Note 26. Unaudited Quarterly Financial Information

	2011				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Net Sales	$ 8,672	$ 9,086	$ 9,298	$ 9,473	$ 36,529
Gross Profit	2,248	2,422	2,265	1,038	7,973
Amounts attributable to Honeywell					
Income (loss) from continuing operations less net income attributable to the noncontrolling interest	687	796	685	(310)	1,858
Income from discontinued operations(1)	18	14	177	—	209
Net Income (loss) attributable to Honeywell	705	810	862	(310)	2,067
Earnings per share - basic					
Income (loss) from continuing operations	0.87	1.01	0.88	(0.40)	2.38
Income from discontinued operations	0.03	0.02	0.23	—	0.27
Net Income (loss) attributable to Honeywell	0.90	1.03	1.11	(0.40)	2.65
Earnings per share - assuming dilution					
Income (loss) from continuing operations	0.86	1.00	0.87	(0.40)	2.35
Income from discontinued operations	0.02	0.02	0.23	—	0.26
Net Income (loss) attributable to Honeywell	0.88	1.02	1.10	(0.40)	2.61
Dividends paid per share	0.3325	0.3325	0.3325	0.3725	1.37
Market Price per share					
High	59.71	62.00	60.44	54.98	62.00
Low	53.48	55.53	41.94	42.32	41.94

	2010				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Net Sales	$ 7,536	$ 7,926	$ 8,139	$ 8,749	$ 32,350
Gross Profit	1,869	1,959	1,969	1,832	7,629
Amounts attributable to Honeywell					
Income from continuing operations less net income attributable to the noncontrolling interest	471	550	579	344	1,944
Income from discontinued operations	18	16	19	25	78
Net Income attributable to Honeywell	489	566	598	369	2,022
Earnings per share - basic					
Income from continuing operations	0.61	0.72	0.75	0.44	2.51
Income from discontinued operations	0.02	0.02	0.02	0.03	0.10
Net Income attributable to Honeywell	0.63	0.74	0.77	0.47	2.61
Earnings per share - assuming dilution					
Income from continuing operations	0.61	0.71	0.74	0.44	2.49
Income from discontinued operations	0.02	0.02	0.02	0.03	0.10
Net Income attributable to Honeywell	0.63	0.73	0.76	0.47	2.59
Dividends paid per share	0.3025	0.3025	0.3025	0.3025	1.21
Market Price per share					
High	45.27	48.52	44.46	53.72	53.72
Low	36.87	39.03	38.53	43.61	36.87

(1) For the year ended December 31, 2011, Income from discontinued operations includes a $178 million, net of tax gain, resulting from the sale of the CPG business which funded a portion of the 2011 repositioning actions.

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
HONEYWELL INTERNATIONAL INC.;

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Honeywell International Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
February 17, 2012

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable

Item 9A. Controls and Procedures

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure information required to be disclosed in the reports that Honeywell files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms and that it is accumulated and communicated to our management, including our Chief Executive Officer, our Chief Financial Officer and our Controller, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the quarter ended December 31, 2011.

Management's Report on Internal Control Over Financial Reporting

Honeywell management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Honeywell's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Honeywell's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Honeywell's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of Honeywell's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Honeywell's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Honeywell's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.*

Based on this assessment, management determined that Honeywell maintained effective internal control over financial reporting as of December 31, 2011.

The effectiveness of Honeywell's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in "Item 8. Financial Statements and Supplementary Data."

Item 9B. Other Information

Not Applicable

Item 10. Directors and Executive Officers of the Registrant

Information relating to the Directors of Honeywell, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in our definitive Proxy Statement involving the election of the Directors, which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after December 31, 2011, and such information is incorporated herein by reference. Certain other information relating to the Executive Officers of Honeywell appears in Part I of this Annual Report on Form 10-K under the heading "Executive Officers of the Registrant".

The members of the Audit Committee of our Board of Directors are: George Paz (Chair), Kevin Burke, Scott Davis, Linnet Deily, and Judd Gregg. The Board has determined that Mr. Paz is the "audit committee financial expert" as defined by applicable SEC rules and that Mr. Paz, Mr. Davis, and Ms. Deily satisfy the "accounting or related financial management expertise" criteria established by the NYSE. All members of the Audit Committee are "independent" as that term is defined in applicable SEC Rules and NYSE listing standards.

Honeywell's Code of Business Conduct is available, free of charge, on our website under the heading "Investor Relations" (see "Corporate Governance"), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. Honeywell's Code of Business Conduct applies to all Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees. Amendments to or waivers of the Code of Business Conduct granted to any of Honeywell's directors or executive officers will be published on our website within five business days of such amendment or waiver.

Item 11. Executive Compensation

Information relating to executive compensation is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to security ownership of certain beneficial owners and management and related stockholder matters is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

EQUITY COMPENSATION PLANS

As of December 31, 2011 information about our equity compensation plans is as follows:

Plan category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	49,895,073(1)	$ 43.01(2)	42,195,484(3)
Equity compensation plans not approved by security holders	626,868(4)	N/A(5)	N/A(6)
Total	50,521,941	43.01	42,195,484

(1) Equity compensation plans approved by shareowners that are included in column (a) of the table are the 2011 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2011 Stock Incentive Plan"), the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2006 Stock Incentive Plan"), the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2003 Stock Incentive Plan") and the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (the "1993 Stock Plan") (38,562,720 shares of Common Stock to be issued for options with a weighted average term of 6.27 years; 31,150 shares to be issued for stock appreciation rights ("SARs"); 9,746,433 RSUs subject to continued employment; 130,891 performance shares subject to continued employment; and 1,092,879 deferred RSUs of earned and vested awards where delivery of shares has been deferred); and the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "2006 Non-Employee Director Plan") and the 1994 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "1994 Non-Employee Director Plan") (322,000 shares of Common Stock to be issued for options; and 9,000 RSUs subject to continued services). RSUs included in column (a) of the table represent the full number of RSUs awarded and outstanding whereas the number of shares of Common Stock to be issued upon vesting will be lower than what is reflected on the table due to the net share settlement process used by the Company (whereas the value of shares required to meet employee statutory minimum tax withholding requirements are not issued).

1,266,309 growth plan units were issued for the performance cycle commencing on January 1, 2010 and ending December 31, 2011 pursuant to the 2006 Stock Incentive Plan. The ultimate value of any growth plan award may be paid in cash or shares of Common Stock and, thus, growth plan units are not included in the table above. The ultimate value of growth plan units depends upon the achievement of pre-established performance goals during the two-year performance cycle. 50% of the payment related to these growth plan units will be paid in March 2012 and the remaining 50% will be paid in March 2013, subject to active employment on the payment dates.

Because the number of future shares that may be distributed to employees participating in the Honeywell Global Stock Plan is unknown, no shares attributable to that plan are included in column (a) of the table above.

(2) Column (b) relates to stock options and does not include any exercise price for RSUs, performance shares, or growth plan units granted to employees or non-employee directors under equity compensation plans approved by shareowners. RSUs do not have an exercise price because their value is dependent upon attainment of certain performance goals or continued employment or service and they are settled for shares of Common Stock on a one-for-one basis. Growth plan units are denominated in cash units and the ultimate value of the award is dependent upon attainment of certain performance goals.

(3) The number of shares that may be issued under the 2011 Stock Incentive Plan as of December 31, 2011 is 39,582,132 which includes the following additional shares under the 2011 Stock Incentive Plan (or any Prior

Plan as defined in the 2011 Stock Incentive Plan) that may again be available for issuance: shares that are settled for cash, expire, are canceled, are tendered in satisfaction of an option exercise price or tax withholding obligations, are reacquired with cash tendered in satisfaction of an option exercise price or with monies attributable to any tax deduction enjoyed by Honeywell to the exercise of an option, and are under any outstanding awards assumed under any equity compensation plan of an entity acquired by Honeywell. No securities are available for future issuance under the 2006 Stock Incentive Plan, the 2003 Stock Incentive Plan, the 1993 Stock Plan, or the 1994 Non-Employee Director Plan.

The number of shares that may be issued under the Honeywell Global Stock Plan as of December 31, 2011 is 2,384,352. This plan is an umbrella plan for four plans maintained solely for eligible employees of participating non-U.S. countries. More than 50% of the shares distributed under the Honeywell Global Stock Plan have been distributed to participants in one sub-plan, the Global Employee Stock Purchase Plan. As of January 1, 2011, the Global Employee Stock Purchase Plan was suspended, although company matching shares awarded to participants in 2008 vested in November 2011.

Another sub-plan of the Honeywell Global Stock Plan, the UK Sharebuilder Plan, allows an eligible UK employee to contribute a specified percentage of taxable earnings that is then invested in shares. The company matches those shares and dividends paid are used to purchase additional shares. The company increased the match share percentage from 50% to 62.50% effective March 1, 2011. Matched shares are subject to a three-year vesting schedule. Shares taken out of the plan before five years lose their tax-favored status. For the year ending December 31, 2011, 105,015 shares were credited to participants' accounts under the UK Sharebuilder Plan.

The remaining two sub-plans of the Honeywell Global Stock Plan, the Honeywell International Technologies Employees Share Ownership Plan (Ireland) and the Honeywell Measurex (Ireland) Limited Group Employee Profit Sharing Scheme, allow eligible Irish employees to contribute specified percentages of base pay, bonus or performance pay that are then invested in shares. Shares must be held in trust for at least two years and lose their tax-favored status if they are taken out of the plan before three years. For the year ending December 31, 2011, 23,881 shares were credited to participants' accounts under these two plans.

The remaining 229,000 shares included in column (c) are shares remaining for future grants under the 2006 Non-Employee Director Plan.

(4) Equity compensation plans not approved by shareowners that are included in the table are the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, and the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries.

The Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries is an unfunded, non-tax qualified plan that provides benefits equal to the employee deferrals and company matching allocations that would have been provided under Honeywell's U.S. tax-qualified savings plan if the Internal Revenue Code limitations on compensation and contributions did not apply. The company matching contribution is credited to participants' accounts in the form of notional shares of Common Stock. The notional shares are distributed in the form of actual shares of Common Stock when payments are made to participants under the plan. The number of shares to be issued under this plan based on the value of the notional shares as of December 31, 2011 is 592,957.

The AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries was a cash incentive compensation plan maintained by AlliedSignal Inc. This plan has expired. Employees were permitted to defer receipt of a cash bonus payable under the plan and invest the deferred bonus in notional shares of Common Stock. The notional shares are distributed in the form of actual shares of Common Stock when payments are made to participants under the plan. No further deferrals can be made under this plan. The number of shares of Common Stock that remain to be issued under this expired plan as of December 31, 2011 is 33,911.

The Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. provides for mandatory and elective deferral of certain payments to non-employee directors. Mandatory deferrals are invested in notional shares of Common Stock. Directors may also invest any elective deferrals in notional shares of Common Stock. Because the notional shares are distributed in the form of cash when payments are made to directors under the plan, they are not included in the table above.

(5) Column (b) does not include any exercise price for notional shares allocated to employees under Honeywell's equity compensation plans not approved by shareowners because all of these shares are notionally allocated as a matching contribution under the non-tax qualified savings plans or as a notional investment of deferred bonuses or fees under the cash incentive compensation and directors' plans as described in note 4 and are only settled for shares of Common Stock on a one-for-one basis.

(6) No securities are available for future issuance under the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries and the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. The cash incentive compensation plan has expired. All notional investments in shares of Common Stock are converted to cash when payments are made under the directors' plan. The amount of securities available for future issuance under the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries is not determinable because the number of securities that may be issued under this plan depends upon the amount deferred to the plan by participants in future years.

The table does not contain information for employee benefit plans of Honeywell that are intended to meet the requirements of Section 401(a) of the Internal Revenue Code and a small number of foreign employee benefit plans that are similar to such Section 401(a) plans.

Item 13. Certain Relationships and Related Transactions

Information relating to certain relationships and related transactions is contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information relating to fees paid to and services performed by PricewaterhouseCoopers LLP in 2011 and 2010 and our Audit Committee's pre-approval policies and procedures with respect to non-audit services are contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedules

All other financial statement schedules have been omitted because they are not applicable to us or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3.) Exhibits

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HONEYWELL INTERNATIONAL INC.

Date: February 17, 2012

By: /s/ Kathleen A. Winters
Kathleen A. Winters
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name	Name
*	*
David M. Cote Chairman of the Board, Chief Executive Officer and Director	Linnet F. Deily Director
*	*
Gordon M. Bethune Director	Clive R. Hollick Director
*	*
Kevin Burke Director	George Paz Director
*	*
Jaime Chico Pardo Director	Bradley T. Sheares, Ph.D. Director
*	*
D. Scott Davis Director	Judd Gregg Director
/s/ David J. Anderson	/s/ Kathleen A. Winters
David J. Anderson Senior Vice President and Chief Financial Officer (Principal Financial Officer)	Kathleen A. Winters Vice President and Controller (Principal Accounting Officer)

*By: /s/ David J. Anderson
(David J. Anderson
Attorney-in-fact)
February 17, 2012

EXHIBIT INDEX

Exhibit No.	Description
3(i)	Amended and Restated Certificate of Incorporation of Honeywell International Inc., as amended April 26, 2010 (incorporated by reference to Exhibit 3(i) to Honeywell's Form 8-K filed April 27, 2010)
3(ii)	By-laws of Honeywell International Inc., as amended April 26, 2010 (incorporated by reference to Exhibit 3(ii) to Honeywell's Form 8-K filed April 27, 2010)
4	Honeywell International Inc. is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of Honeywell and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Honeywell agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
10.1*	2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (incorporated by reference to Honeywell's Proxy Statement, dated March 17, 2003, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934), and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2006 and Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2008
10.2*	Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for quarter ended June 30, 2003), and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and Exhibit 10.2 to Honeywell's Form 10-K for the year ended December 31, 2005
10.3*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2003), and amended by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2008
10.4*	Honeywell International Inc. Incentive Compensation Plan for Executive Employees, as amended and restated (incorporated by reference to Honeywell's Proxy Statement, dated March 10, 2011, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934)
10.5*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as amended and restated (incorporated by reference to Exhibit 10.6 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.5 to Honeywell's Form 10-K for the year ended December 31, 2010
10.6*	Honeywell International Inc. Severance Plan for Senior Executives, as amended and restated (incorporated by reference to Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2009
10.7*	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc., and its Affiliates, as amended and restated (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.8*	1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, as amended (incorporated by reference to Exhibit A to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934), and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.9 to Honeywell's Form 10-K for

Exhibit No.	Description
	the year ended December 31, 2006, Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and Exhibit 10.9 to Honeywell's Form 10-K for the year ended December 31, 2008
10.9*	Honeywell International Inc. Supplemental Pension Plan, as amended and restated (incorporated by reference to Exhibit 10.10 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.10 to Honeywell's Form 10-K for the year ended December 31, 2009
10.10*	Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above, as amended and restated (incorporated by reference to Exhibit 10.12 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.12 to Honeywell's Form 10-K for the year ended December 31, 2009
10.11*	Honeywell Supplemental Defined Benefit Retirement Plan, as amended and restated (incorporated by reference to Exhibit 10.13 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.13 to Honeywell's Form 10-K for the year ended December 31, 2009
10.12*	Letter between David J. Anderson and Honeywell International Inc. dated June 12, 2003 (incorporated by reference to Exhibit 10.26 to Honeywell's Form 10-Q for the quarter ended June 30, 2003), and amended by Exhibit 10.14 to Honeywell's Form 10-K for the year ended December 31, 2008
10.13*	Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control), as amended and restated (incorporated by reference to Exhibit 10.16 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.14*	Employment Agreement dated as of February 18, 2002 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.24 to Honeywell's Form 8-K filed March 4, 2002), and amended by Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended September 30, 2008 and Exhibit 10.17 to Honeywell's Form 10-K for the year ended December 31, 2008
10.15*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Award Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed February 7, 2005)
10.16*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Restricted Unit Agreement (incorporated by reference to Exhibit 10.21 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.17*	Stock Plan For Non-Employee Directors of Honeywell International Inc. Option Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K filed April 29, 2005)
10.18*	Deferred Compensation Agreement dated August 4, 2006 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2006) and amended by Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2009
10.19*	Letter Agreement dated July 27, 2001 between Honeywell and Larry E. Kittelberger (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-K for the year ended December 31, 2006), and amended by Exhibit 10.23 to Honeywell's Form 10-K for the year ended December 31, 2008
10.20*	Honeywell Supplemental Retirement Plan (incorporated by reference to Exhibit 10.24 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.21*	Pittway Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.25 to Honeywell's Form 10-K for the year ended December 31, 2006) and amended by Exhibit

Exhibit No.	Description
	10.25 to Honeywell's Form 10-K for the year ended December 31, 2008 and Exhibit 10.25 to Honeywell's 10-K for the year ended December 31, 2009
10.22*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates, as amended and restated (incorporated by reference to Exhibit 10.26 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by Exhibit 10.1 to Honeywell's 10-Q for the quarter ended March 31, 2011
10.23*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Option Award Agreement (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended March 31, 2009)
10.24*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended March 31, 2009)
10.25*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Growth Plan Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended March 31, 2010)
10.26*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates— Form of Performance Share Agreement (incorporated by reference to Exhibit 10.30 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.27*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (incorporated by reference to Exhibit 10.31 to Honeywell's Form 10-K for the year ended December 31, 2008), and amended by the attached amendment (filed herewith)
10.28*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Option Agreement (incorporated by reference to Exhibit 10.7 to Honeywell's Form10-Q for the quarter ended June 30, 2006)
10.29*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-Q for the quarter ended June 30, 2006)
10.30*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.34 to Honeywell's Form 10-K for the year ended December 31, 2008)
10.31*	2007 Honeywell Global Employee Stock Plan (incorporated by reference to Honeywell's Proxy Statement, dated March 12, 2007, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934)
10.32*	Letter Agreement dated July 20, 2007 between Honeywell and Roger Fradin (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2007) and amended by Exhibit 10.36 to Honeywell's Form 10-K for the year ended December 31, 2009
10.33*	Consulting Agreement dated March 24, 2010 between Honeywell and Larry Kittelberger (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended March 31, 2010)
10.34*	Letter Agreement dated October 6, 2010 between Honeywell and Roger Fradin (incorporated by reference to Exhibit 10.34 to Honeywell's Form 10-K for the year ended December 31, 2010))

Exhibit No.	Description
10.35*	Employee Non-Competition Agreement dated October 26, 2010 for Andreas Kramvis (incorporated by reference to Exhibit 10.35 to Honeywell's Form 10-K for the year ended December 31, 2010)
10.36*	2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates — Form of Restricted Unit Agreement, Form 2 (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2010)
10.37*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Option Award Agreement, Form 2 (incorporated by reference to Exhibit 10.37 to Honeywell's Form 10-K for the year ended December 31, 2010)
10.38*	Letter Agreement dated September 3, 2009 between Honeywell and Timothy Mahoney (incorporated by reference to Exhibit 10.38 to Honeywell's Form 10-K for the year ended December 31, 2010)
10.39*	Form of Honeywell International Inc. Noncompete Agreement for Senior Executives (incorporated by reference to Exhibit 10.39 to Honeywell's Form 10-K for the year ended December 31, 2010))
10.40*	2011 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (incorporated by reference to Honeywell's Proxy Statement, dated March 10, 2011, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934)
10.41*	2011 Stock Incentive Plan of Honeywell International Inc. and its Affiliates—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2011)
10.42*	2011 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Option Award Agreement (filed herewith)
10.43*	2011 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Growth Plan Agreement (filed herewith)
10.44*	Letter Agreement dated August 4, 2011 between Honeywell International Inc. and David M. Cote (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2011)
10.45	Five Year Credit Agreement dated as of March 31, 2011 by and among Honeywell International Inc., the banks, financial institutions and other institutional lenders parties thereto, Citibank, N.A., as administrative agent, Citibank International PLC, as swing line agent, JPMorgan Chase Bank, N.A., as syndication agent, Bank of America, N.A., Barclays Bank PLC, Deutsche Bank AG New York Branch, Goldman Sachs Bank USA, Morgan Stanley MUFG Loan Partners, LLC and The Royal Bank of Scotland PLC, as documentation agents, and Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, as joint lead arrangers and co- book managers (incorporated by reference to Exhibit 10.1 to Honeywell's 8-K filed April 4, 2011)
10.46	Purchase and Sale Agreement between Catalysts, Adsorbents and Process Systems, Inc., and Honeywell Specialty Materials, LLC, dated September 30, 2005 (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-Q for the quarter ended September 30, 2005)
10.47	Stock Purchase Agreement by and between Honeywell International Inc. and M&F Worldwide Corp. (incorporated by reference to Exhibit 2.1 to Honeywell's Form 8-K filed November 1, 2005)
10.48	Stock Purchase Agreement dated April 3, 2008 by and among Honeywell International Inc., Safety Products Holdings, Inc., the selling shareholders party thereto, and Odyssey Investment Services, L.L.C. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed April 7, 2008)

Exhibit No.	Description
10.49	Stock and Asset Purchase Agreement dated June 9, 2008, by and between Honeywell International Inc. and BE Aerospace, Inc. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed June 11, 2008)
10.50	Tender Offer Agreement dated May 19, 2010 by and among Sperian Protection S.A., Honeywell International Inc. and Honeywell Holding France SAS (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended June 30, 2010)
10.51	Stock and Asset Purchase Agreement dated January 27, 2011 by and among Honeywell International Inc., Rank Group Limited and Autoparts Holdings Limited, (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed January 31, 2011)
12	Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith)
21	Subsidiaries of the Registrant (filed herewith)
23	Consent of PricewaterhouseCoopers LLP (filed herewith)
24	Powers of Attorney (filed herewith)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (furnished herewith)

The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

Honeywell International Inc.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2011
(Dollars in millions)

Allowance for Doubtful Accounts:

Balance December 31, 2008	$	182
Provision charged to income		176
Deductions from reserves		(134)
Acquisitions		6
Balance December 31, 2009		230
Provision charged to income		145
Deductions from reserves		(111)
Acquisitions		8
Balance December 31, 2010		272
Provision charged to income		79
Deductions from reserves		(112)
Acquisitions		14
Balance December 31, 2011	$	253

Deferred Tax Assets—Valuation Allowance

Balance December 31, 2008	$	445
Additions charged to income tax expense		142
Reductions credited to income tax expense		(30)
Reductions charged to deferred tax assets due to expiring NOLs		3
Reductions charged to deferred tax assets due to capital loss carryforwards		(9)
Additions charged to equity		27
Balance December 31, 2009		578
Additions charged to income tax expense		129
Reductions credited to income tax expense		(90)
Reductions charged to deferred tax asset due to expired NOL		(7)
Reductions charged to deferred tax assets due to capital loss carryforwards		(1)
Additions charged to equity		(17)
Additions charged to goodwill		44
Balance December 31, 2010		636
Additions charged to income tax expense		109
Reductions credited to income tax expense		(152)
Reductions charged to deferred tax asset due to expired NOL		(8)
Reductions charged to deferred tax assets due to capital loss carryforwards		(5)
Additions charged to equity		(13)
Additions charged to goodwill		24
Balance December 31, 2011	$	591

Exhibit 10.27

AMENDMENT

TO THE

2006 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

OF HONEYWELL INTERNATIONAL INC.

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the "Company") by the Management Development and Compensation Committee of the Board of Directors on December 9, 2011, the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. is hereby amended effective January 1, 2012 by replacing Schedule A in its entirety with the attached new Schedule A.

HONEYWELL INTERNATIONAL INC.

/s/ Mark James
Mark James
Senior Vice President – Human Resources and

Communications

Dated: December 13, 2011

"SCHEDULE A

BOARD POLICY FOR NON-EMPLOYEE DIRECTOR EQUITY AWARDS

Grant of Restricted Units. Each Eligible Director first elected or appointed to the Board on or after September 26, 2008 will receive a grant of 3,000 Restricted Units effective as of the first date the Eligible Director is elected or appointed to the Board. The Restricted Units shall vest on the earliest of the Participant's fifth anniversary of continuous service as a director of the Company, the Participant's death or disability or the occurrence of a Change in Control. The Participant may defer receipt of payment of such Restricted Units on substantially the same terms and conditions as officers of the Company with respect to grants of restricted units they receive.

Annual Grants of Stock Options and Restricted Units. Subject to any limitations set forth in the Plan, each Eligible Director who continues in office following the Annual Meeting of Shareowners will receive equity grants with a total target value of $75,000. 50% of the value ($37,500) will be granted in Stock Options and the remaining 50% of the value ($37,500) will be granted in Restricted Units, with the number of Shares subject to each grant determined by dividing the value by the Fair Market Value as of the date of the Annual Meeting of Shareowners and rounded up to the nearest whole Share.

The grant of Stock Options shall have an Exercise Price equal to the Fair Market Value as of the date of grant and will vest in cumulative installments of 25% on April 1 of the first year following the date of grant, an additional 25% on April 1 of the second and third years following the date of grant, and the remaining 25% on April 1 of the fourth year following the date of grant. The grant of Restricted Units shall vest on the earliest of the Participant's third anniversary of the date of grant, the Participant's death or disability or the occurrence of a Change in Control."

Exhibit 10.42

2011 Stock Incentive Plan
of Honeywell International Inc. and its Affiliates

STOCK OPTION AWARD AGREEMENT

STOCK OPTION AWARD AGREEMENT made in Morris Township, New Jersey, as of the [DATE] (the "Date of Grant"), between Honeywell International Inc. (the "Company") and ________________ (the "Employee").

1. **Grant of Option.** The Company has granted you an Option to purchase _______ Shares of Common Stock, subject to the provisions of this Agreement and the 2011 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates (the "Plan"). This Option is a nonqualified Option.

2. **Exercise Price.** The purchase price of the Shares covered by the Option will be _____ per Share.

3. **Vesting.** Except in the event of your death or Disability or the occurrence of a Change in Control, the Option will become exercisable as follows: [DESCRIBE VESTING PROVISIONS CONSISTENT WITH THE PLAN].

4. **Term of Option.** The Option must be exercised prior to the close of the New York Stock Exchange ("NYSE") on [EXPIRATION DATE], subject to earlier termination or cancellation as provided below. If the NYSE is not open for business on the expiration date specified, the Option will expire at the close of the NYSE on the business day immediately preceding [EXPIRATION DATE].

5. **Payment of Exercise Price.** You may pay the Exercise Price by cash, certified check, bank draft, wire transfer, postal or express money order, or any other alternative method specified in the Plan and expressly approved by the Committee. Notwithstanding the foregoing, you may not tender any form of payment that the Committee determines, in its sole and absolute discretion, could violate any law or regulation.

6. **Exercise of Option.** Subject to the terms and conditions of this Agreement, the Option may be exercised by contacting the Honeywell Stock Option Service Center, managed by Morgan Stanley Smith Barney, by telephone at 1-888-723-3391 or 1-210-677-3660, or on the internet at www.benefitaccess.com. If the Option is exercised after your death, the Company will deliver Shares only after the Committee has determined that the person exercising the Option is the duly appointed executor or administrator of your estate or the person to whom the Option has been transferred by your will or by the applicable laws of descent and distribution.

7. **Termination, Retirement, Disability or Death.** The Option will vest and remain exercisable as follows:

Event	Vesting	Exercise
Death	Immediate vesting as of death.	Expires earlier of (i) original expiration date, or (ii) 3 years after death.
Disability	Immediate vesting as of incurrence of Disability.	Expires earlier of (i) original expiration date, or (ii) 3 years after Disability.
Full Retirement (Termination of Employment on or after age 60 and 10 Years of Service)	Unvested Awards forfeited as of Full Retirement.	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement.
Early Retirement (Termination of Employment on or after age 55 and 10 Years of Service)	Unvested Awards forfeited as of Early Retirement.	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement.
Voluntary termination	Unvested Awards forfeited as of Termination of Employment.	Expires earlier of (i) original expiration date, or (ii) 30 days after termination.
Involuntary termination not for Cause	Unvested Awards forfeited as of Termination of Employment.	Expires earlier of (i) original expiration date, or (ii) 1 year after termination.
Involuntary termination for Cause	Unvested Awards forfeited as of Termination of Employment.	Vested Awards immediately cancelled.

Except as expressly provided herein, all rights hereunder shall cease to accrue, and you will forfeit the unvested portion of this Award and all rights to continue vesting in the Award as of your Termination of Employment. Further, you will not be entitled to receive additional awards hereunder after your Termination of Employment.

8. **Change in Control.** In the event of a Change in Control, any portion of the Option that has not vested as of the date of Change in Control will immediately become exercisable in full.

9. **Withholdings.** The Company or your local employer shall have the power and the right to deduct or withhold, or require you to remit to the Company or your local employer, an amount sufficient to satisfy taxes imposed under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gain taxes, transfer taxes, and social security contributions, and National Insurance Contributions, that are required by law to be withheld with respect to the grant of the Option, any exercise of the your rights under this Agreement, the sale of Shares acquired from the exercise of the Option, and/or payment of dividends on Shares acquired pursuant to the Option.

10. **Transfer of Option.** You may not transfer the Option or any interest in the Option except by will or the laws of descent and distribution or except as permitted by the Committee and as specified in the Plan.

11. **Requirements for and Forfeiture of Award.**

a. **General.** The Award is expressly contingent upon you complying with the terms, conditions and definitions contained in this Section 11 and in any other agreement that governs your noncompetition with Honeywell, your nonsolicitation of Honeywell's employees, customers, suppliers, business partners and vendors, and/or your conduct with respect to Honeywell's trade secrets and proprietary and confidential information. For purposes of this Section 11, the term "Honeywell" is defined as Honeywell International Inc. (a Delaware corporation having a place of business at Columbia Road and Park Avenue, Morris Township, Morris County, New Jersey), its predecessors, designees and successors, as well as its past, present and future operating companies, divisions, subsidiaries, affiliates and other business units, including businesses acquired by purchase of assets, stock, merger or otherwise.

b. **Remedies.**

1. You expressly agree and acknowledge that the forfeiture provisions of subsection 11.b.2. of this Agreement shall apply if, from the Award Date until the date that is twenty-four (24) months after your Termination of Employment for any reason, you enter into an employment, consultation or similar agreement or arrangement (including any arrangement for service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in a business in which Honeywell is engaged if the business is competitive (in the sole judgment of the Committee) with Honeywell and the Committee has not approved the agreement or arrangement in writing.

2. In addition to the relief described in any other agreement that governs your noncompetition with Honeywell, your nonsolicitation of Honeywell's employees, customers, suppliers, business partners and vendors, and/or your conduct with respect to Honeywell's trade secrets and proprietary and confidential information, if the Committee determines, in its sole judgment, that you have violated the terms of any such agreement or you have engaged in an act that violates subsection 11.b.1. of this Agreement, (i) any portion of the Option you have not exercised (whether vested or unvested) shall immediately be cancelled, and you shall forfeit any rights you have with respect to the Option as of the date of the Committee's determination, and (ii) you shall immediately deliver to the Company Shares equal in value to the gross amount of any profit you realized upon an exercise of the Option during the period beginning twelve (12) months prior to your Termination of Employment and ending on the date of the Committee's determination.

3. Notwithstanding anything in the Plan or this Agreement to the contrary, you acknowledge that the Company may be entitled or required by law, Company policy or the requirements of an exchange on which the Shares are listed for

trading, to recoup compensation paid to you pursuant to the Plan, and you agree to comply with any Company request or demand for recoupment.

12.Adjustments. Any adjustments to the Option will be governed by Section 5.3 of the Plan.

13.Restrictions on Exercise. Exercise of the Option is subject to the conditions that, to the extent required at the time of exercise, (i) the Shares covered by the Option will be duly listed, upon official notice of issuance, upon the NYSE, and (ii) a Registration Statement under the Securities Act of 1933 with respect to the Shares will be effective. The Company will not be required to deliver any Common Stock until all applicable federal and state laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel of the Company.

14.Disposition of Securities. By accepting the Award, you acknowledge that you have read and understand the Company's policy, and are aware of and understand your obligations under U.S. federal securities laws in respect of trading in the Company's securities, and you agree not to use the Company's "cashless exercise" program (or any successor program) at any time when you possess material nonpublic information with respect to the Company or when using the program would otherwise result in a violation of securities law. The Company will have the right to recover, or receive reimbursement for, any compensation or profit realized on the exercise of the Option or by the disposition of Shares received upon exercise of the Option to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.

15.Plan Terms Govern. The exercise of the Option, the disposition of any Shares received upon exercise of the Option, and the treatment of any gain on the disposition of these Shares are subject to the terms of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Agreement. Capitalized terms used in this Agreement have the meaning set forth in the Plan, unless otherwise stated in this Agreement. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the Plan will control unless otherwise stated in this Agreement. By accepting the Award, you acknowledge receipt of the Plan and the prospectus, as in effect on the date of this Agreement.

16.Personal Data.

a. By entering into this Agreement, and as a condition of the grant of the Option, you expressly consent to the collection, use, and transfer of personal data as described in this Section to the full extent permitted by and in full compliance with applicable law.

b. You understand that your local employer holds, by means of an automated data file, certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares or directorships held in the Company, details of all options or other entitlement to shares awarded, canceled, exercised, vested, unvested, or outstanding in your favor, for the purpose of managing and administering the Plan ("Data").

c. You further understand that part or all of your Data may be also held by the Company or its Affiliates, pursuant to a transfer made in the past with your consent, in respect of any previous grant of options or awards, which was made for the same purposes of managing and administering of previous award/incentive plans, or for other purposes.

d. You further understand that your local employer will transfer Data to the Company or its Affiliates among themselves as necessary for the purposes of implementation, administration, and management of your participation in the Plan, and that the Company or its Affiliates may transfer data among themselves, and/or each, in turn, further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan ("Data Recipients").

e. You understand that the Company or its Affiliates, as well as the Data Recipients, are or may be located in your country of residence or elsewhere, such as the United States. You authorize the Company or its Affiliates, as well as the Data Recipients, to receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any transfer of such Data, as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf, to a broker or third party with whom the Shares may be deposited.

f. You understand that you may show your opposition to the processing and transfer of your Data, and, may at any time, review the Data, request that any necessary amendments be made to it, or withdraw your consent herein in writing by contacting the Company. You further understand that withdrawing consent may affect your ability to participate in the Plan.

17. **Discretionary Nature and Acceptance of Award.** By accepting this Award, you agree to be bound by the terms of this Agreement and acknowledge that:

a. The Company (and not your local employer) is granting your Option. Furthermore, this Agreement is not derived from any preexisting labor relationship between you and the Company, but rather from a mercantile relationship.

b. The Company may administer the Plan from outside your country of residence and United States law will govern all options granted under the Plan.

c. Benefits and rights provided under the Plan are wholly discretionary and, although provided by the Company, do not constitute regular or periodic payments.

d. The benefits and rights provided under the Plan are not to be considered part of your salary or compensation under your employment with your local employer for purposes of calculating any severance, resignation, redundancy or other end of service payments, vacation, bonuses, long-term service awards, indemnification, pension or retirement benefits, or any other payments, benefits or rights of any kind. You waive any and all rights to compensation or damages as a result of the termination of employment with your local employer for any reason whatsoever insofar as those rights result, or may result, from the loss or diminution in value of such rights under the Plan or your ceasing to have any rights under, or ceasing to be entitled to any rights under, the Plan as a result of such termination.

e. The grant of the Option hereunder, and any future grant of an option under the Plan, is entirely voluntary, and at the complete discretion of the Company. Neither the grant of the Option nor any future grant by the Company will be deemed to create any obligation to make any future grants, whether or not such a reservation is explicitly stated at the time of such a grant. The Company has the right, at any time and/or on an annual basis, to amend, suspend or terminate the Plan; provided, however, that no such amendment, suspension, or termination will adversely affect your rights hereunder.

f. The Plan will not be deemed to constitute, and will not be construed by you to constitute, part of the terms and conditions of employment. Neither the Company nor your local employer will incur any liability of any kind to you as a result of any change or amendment, or any cancellation, of the Plan at any time.

g. Participation in the Plan will not be deemed to constitute, and will not be deemed by you to constitute, an employment or labor relationship of any kind with the Company.

18. **Limitations.** Nothing in this Agreement or the Plan gives you any right to continue in the employ of the Company or any of its Affiliates or to interfere in any way with the right of the Company or any Affiliate to terminate your employment at any time. Payment of Shares is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of the Option. You have no rights as a shareowner of the Company pursuant to the Option until Shares are actually delivered you.

19. **Incorporation of Other Agreements.** This Agreement and the Plan constitute the entire understanding between you and the Company regarding the Option. This Agreement supersedes any prior agreements, commitments or negotiations concerning the Option.

20. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of the Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

21. **Governing Law.** The Plan, this Agreement, and all determinations made and actions taken under the Plan or this Agreement shall be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable federal law.

22. **Acknowledgements.** By accepting this Agreement, you agree to the following: (i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Agreement, the Plan, the Plan's prospectus and all accompanying documentation; and (ii) you understand and agree that this Agreement and the Plan constitute the entire understanding between you and the Company regarding the Option, and that any prior agreements, commitments or negotiations concerning the Option are replaced and superseded.

23. **Award Acceptance.** To retain this Award, you must accept it by signing the Agreement below and, by signing this Agreement, you will be deemed to consent to the application of the terms and conditions set forth in this Agreement and the Plan. If you do not wish to accept this Award, you must contact Honeywell International Inc., Executive Compensation/AB-1D, 101 Columbia Road, Morristown, New Jersey 07962 in writing within thirty (30) days of the Award Date.

I Accept:

____

Signature Date

Exhibit 10.43

2011 Stock Incentive Plan

of Honeywell International Inc. and its Affiliates

GROWTH PLAN AGREEMENT

GROWTH PLAN AGREEMENT made in Morris Township, New Jersey, United States of America, as of the [DAY] day of [MONTH, YEAR] (the "Award Date") between Honeywell International Inc. (which together with its subsidiaries and affiliates, when the context so indicates, is hereinafter referred to as the "Company") and [EMPLOYEE NAME] (the "Employee").

1. **Grant of Awards.** The Company has granted to you [NUMBER] Growth Plan Units, subject to the terms of this Agreement and the terms of the 2011 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates (the "Plan").

2. **Target and Actual Award.** The number of Growth Plan Units awarded to you represents a target award for the Performance Cycle (as defined below). Each Growth Plan Unit has a target value of $100 ("Target Value"). Your actual award value (the "Actual Award") is equal to the product of (i) the Target Value, (ii) the Plan Payout Percentage, and (iii) the number of Growth Plan Units awarded to you under this Agreement. For purposes of this Agreement, the "Plan Payout Percentage" shall be based on the achievement of the Performance Measures described in Section 3 below and may range from zero to a maximum of 200%.

3. **Performance Measures.** The Plan Payout Percentage shall be determined based on [PERFORMANCE MEASURES] (collectively the "Performance Measures") for the Performance Cycle. Performance Measures shall be determined at the Company level for eligible employees not assigned to one of the Company's four strategic business groups ("SBG"), and at both the Company and SBG level for other eligible employees. For purposes of this determination, if you transfer from one of the Company's businesses during the Performance Cycle, your award will be prorated for the number of days actively employed in that business.

   [INCLUDE AS APPLICABLE: Notwithstanding anything in this Agreement to the contrary, except in the event of a Change in Control (as defined in the Plan), no Growth Plan Unit awards will be paid unless the Company attains a minimum level of [PERFORMANCE MEASURE] during the Performance Cycle. The minimum level of [PERFORMANCE MEASURE] shall be a [AMOUNT OR PERCENTAGE] over the Performance Cycle. In determining [PERFORMANCE MEASURE] for this purpose, the Management Development and Compensation Committee of the Company's Board of Directors (the "Committee") shall [INCLUDE AS APPLICABLE: hold share count constant to [YEAR] for all periods and] exclude from its calculations unusual, infrequently occurring, and extraordinary items [INCLUDE AS APPLICABLE: as well as pension expense or pension income recorded] during the Performance Cycle.]

4. **Performance Cycles.** The two year performance cycle to which this Agreement applies commences on [DATE] and ends on [DATE] (the "Performance Cycle").

5. **Timing of Payments.** The payment of Growth Plan Unit awards is contingent upon (i) the achievement of the performance criteria outlined in Section 3 above, and (ii) except as otherwise provided in this Agreement, you remaining actively employed by the Company on the applicable payment dates. Thus, for example, if you are receiving pay from the Company but not actively performing services therefore (including, but not limited to, severance periods, notice periods, and grandfathered vacation periods), you will not be considered "active" for purposes of the payment of Growth Plan Unit awards. To the extent a Growth Plan Unit award is earned, you will receive it in two installments (subject, of course, to the active employment criteria described herein). One-half of your Actual Award will be paid in [MONTH, YEAR]; the second half of your Actual Award will be paid in [MONTH, YEAR]; provided, however, that in no event will a payment be made later than two and one-half months from the end of the year in which the payment vests.

6. **Form of Payment.** Growth Plan Units may be paid out in either cash or shares of the Company's common stock ("Shares"), at the discretion of the Committee. Your award will be expressed in U.S. dollars. Payment shall be made in the same currency as your pay ("Local Currency"). In the event you receive pay in more than one Local Currency, the currency used for payment will be at the discretion of the Company or your employer. The Company will normalize your award value for any fluctuation in exchange rates between U.S. dollars and your Local Currency using the rate in effect for compensation planning at the beginning of the Performance Cycle. If your Actual Award is paid in Shares, the number of Shares shall be determined by dividing the Actual Award by the Fair Market Value (as defined in the Plan) of the Shares as of the date the Committee determines the amount of your Actual Award. Fractional Shares will always be paid in cash. No payment amounts will be credited with interest, and you may not defer the payment of any awards hereunder.

7. **Termination of Employment.** If your employment with the Company is terminated for any reason other than death [or retirement as provided in Section 8] prior to the date a Growth Plan Unit payment is to be made pursuant to Section 5 above, any unpaid amounts shall be forfeited and your rights with respect to any Growth Plan Units will terminate unless the Committee, or its designee, determines otherwise in its sole and absolute discretion.

8. **Death[, or]Disability[or Retirement].** If your employment with the Company terminates because of death or you incur a Disability (as defined in the Plan) prior to the first installment payment of your Actual Award, you or your estate will receive the prorated value of your Actual Award. The prorated value of the Actual Award shall be determined by multiplying the Actual Award by a fraction, the numerator of which is the number of days you were actively employed by the Company during the Performance Cycle prior to your death or Disability, and the denominator of which is the total number of days from your first eligibility date during the Performance Cycle through the last day of the Performance Cycle. Such prorated Actual Award shall be payable in a single lump sum at the time the first installment payment is paid to other Growth Plan grantees. If your death or Disability occurs after the first installment payment of your Actual Award has been made but before the second installment payment has been made, the Company shall pay the second installment payment in a lump sum as soon as practicable after the date of death or Disability.

   [INCLUDE AS APPLICABLE: If you retire from the Company and its Affiliates after you attain age 62 with 25 Years of Service (as defined in the Plan) and after the Performance Cycle ends, (i) but before the first installment of your Actual Award is paid, you will receive an amount equal to the sum of (A) the first installment and (B) the prorated value of the second installment, or (ii) but before the second installment of your Actual Award is paid, you will receive an amount equal to the prorated value of the second installment. For purposes of this paragraph, the prorated value of the second installment shall be determined by multiplying the second installment by a fraction, the numerator of which is the number of days you were actively employed by the Company and its Affiliates from the January 1st immediately following the end of the Performance Cycle to your separation from service date and the denominator of which is 439. Subject to Section 19, this amount shall be paid to you as soon as practicable following your separation from service with the Company and its Affiliates.

If you retire from the Company and its Affiliates after you attain age 64 with 25 Years of Service (as defined in the Plan) and after the Performance Cycle ends but before your full Actual Award is paid, you will receive an amount equal to the unpaid portion of your Actual Award, which subject to Section 19, shall be paid to you as soon as practicable following your separation from service with the Company and its Affiliates.]

9. **Change in Control.** In the event of a Change in Control (as defined in the Plan), you will be deemed to have earned an Actual Award at a Plan Payout Percentage of 100%. In such case, you shall receive both installments of your Actual Award in a single sum payment no later than the earlier of 90 days after the date of the Change in Control or two and one-half months after the end of the calendar year in which the Change in Control occurs. Such single sum payment may be in cash or Shares, as determined by the Committee.

10. **Change in Status.** If your role within the Company changes during the Performance Cycle such that you would no longer be eligible to receive Growth Plan Units, this Agreement shall remain in full force and effect as if no such change had occurred.

11. **Requirements for and Forfeiture of Award.**

a. **General.** The Award is expressly contingent upon you complying with the terms, conditions and definitions contained in this Section 11 and in any other agreement that governs your noncompetition with Honeywell, your nonsolicitation of Honeywell's employees, customers, suppliers, business partners and vendors, and/or your conduct with respect to Honeywell's trade secrets and proprietary and confidential information. For purposes of this Section 11, the term "Honeywell" is defined as Honeywell International Inc. (a Delaware corporation having a place of business at Columbia Road and Park Avenue, Morris Township, Morris County, New Jersey), its predecessors, designees and successors, as well as its past, present and future operating companies, divisions, subsidiaries, affiliates and other business units, including businesses acquired by purchase of assets, stock, merger or otherwise.

b. **Remedies.**

1. You expressly agree and acknowledge that the forfeiture provisions of subsection 11.b.2. of this Agreement shall apply if, from the Award Date until the date that is twenty-four (24) months after your Termination of Employment for any reason, you enter into an employment, consultation or similar agreement or arrangement (including any arrangement for service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in

a business in which Honeywell is engaged if the business is competitive (in the sole judgment of the Committee) with Honeywell and the Committee has not approved the agreement or arrangement in writing.

2.In addition to the relief described in any other agreement that governs your noncompetition with Honeywell, your nonsolicitation of Honeywell's employees, customers, suppliers, business partners and vendors, and/or your conduct with respect to Honeywell's trade secrets and proprietary and confidential information, if the Committee determines, in its sole judgment, that you have violated the terms of any such agreement or you have engaged in an act that violates subsection 11.b.1. of this Agreement, (i) any Growth Plan payment that has not yet been vested, earned or paid under this Agreement shall immediately be cancelled, and you shall forfeit any rights you have with respect to such payment as of the date of the Committee's determination, and (ii) you shall immediately deliver to the Company cash equal in value to the gross Growth Plan payment you received under this Agreement during the period beginning twelve (12) months prior to your Termination of Employment and ending on the date of the Committee's determination.

3.Notwithstanding anything in the Plan or this Agreement to the contrary, you acknowledge that the Company may be entitled or required by law, Company policy or the requirements of an exchange on which the Shares are listed for trading, to recoup compensation paid to you pursuant to the Plan, and you agree to comply with any Company request or demand for recoupment.

12.Withholdings. The Company or your local employer shall have the power and the right to deduct or withhold, or require you to remit to the Company or to your local employer, prior to any issuance or delivery of a Growth Plan payment, an amount sufficient to satisfy taxes imposed under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gain taxes, transfer taxes, and social security contributions, and National Insurance Contributions, that are required by law to be withheld as determined by the Company or your local employer.

13.Adjustments. Any adjustments to the Growth Plan Units will be governed by Section 5.3 of the Plan.

14.Transfer of Awards. You may not transfer any interest in your Growth Plan Units or Actual Award. Any attempt to dispose of your interest in your Growth Plan Units or Actual Award shall be null and void.

15.Plan Terms Govern. The vesting of and payment for Growth Plan Units, the disposition of any Shares received for Growth Plan Units, and the treatment of gain on the disposition of any such Shares, are subject to the provisions of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Agreement. Capitalized terms used in this Agreement have the meaning set forth in the Plan, unless otherwise stated in this Agreement. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the Plan will control. By accepting the Award, you acknowledge that the Plan and the Plan prospectus, as in effect on the date of this Agreement, have been made available to you for your review.

16. Personal Data.

a. By entering into this Agreement, and as a condition of the grant of the Growth Plan Units, you expressly consent to the collection, use, and transfer of personal data as described in this Section to the full extent permitted by and in full compliance with applicable law.

b. You understand that your local employer holds, by means of an automated data file, certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares or directorships held in the Company, details of all restricted units or other entitlement to shares or cash awarded, canceled, exercised, vested, unvested, or outstanding in your favor, for the purpose of managing and administering the Plan ("Data").

c. You further understand that part or all of your Data may be also held by the Company or its Affiliates, pursuant to a transfer made in the past with your consent, in respect of any previous grant of restricted units or awards, which was made for the same purposes of managing and administering of previous award/incentive plans, or for other purposes.

d. You further understand that your local employer will transfer Data to the Company or its Affiliates among themselves as necessary for the purposes of implementation, administration, and management of your participation in the Plan, and that the Company or its Affiliates may transfer data among themselves, and/or each, in turn, further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan ("Data Recipients").

e. You understand that the Company or its Affiliates, as well as the Data Recipients, are or may be located in your country of residence or elsewhere, such as the United States. You authorize the Company or its Affiliates, as well as the Data Recipients, to receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any transfer of such Data, as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf, to a broker or third party with whom the Shares may be deposited.

f. You understand that you may show your opposition to the processing and transfer of your Data, and, may at any time, review the Data, request that any necessary amendments be made to it, or withdraw your consent herein in writing by contacting the Company. You further understand that withdrawing consent may affect your ability to participate in the Plan.

17. Discretionary Nature and Acceptance of Award. By accepting this Award, you agree to be bound by the terms of this Agreement and acknowledge that:

a. The Company (and not your local employer) is granting your Growth Plan Units. Furthermore, this Agreement is not derived from any preexisting labor relationship between you and the Company, but rather from a mercantile relationship.

b. The Company may administer the Plan from outside your country of residence and United States law will govern all Growth Plan Units granted under the Plan.

c. Benefits and rights provided under the Plan are wholly discretionary and, although provided by the Company, do not constitute regular or periodic payments.

d. The benefits and rights provided under the Plan are not to be considered part of your salary or compensation under your employment with your local employer for purposes of calculating any severance, resignation, redundancy or other end of service payments, vacation, bonuses, long-term service awards, indemnification, pension or retirement benefits, or any other payments, benefits or rights of any kind. You waive any and all rights to compensation or damages as a result of the termination of employment with your local employer for any reason whatsoever insofar as those rights result, or may result, from the loss or diminution in value of such rights under the Plan or your ceasing to have any rights under, or ceasing to be entitled to any rights under, the Plan as a result of such termination.

e. The grant of Growth Plan Units hereunder, and any future grant of Growth Plan Units under the Plan, is entirely voluntary, and at the complete discretion of the Company. Neither the grant of the Growth Plan Units nor any future grant by the Company will be deemed to create any obligation to make any future grants, whether or not such a reservation is explicitly stated at the time of such a grant. The Company has the right, at any time and/or on an annual basis, to amend, suspend or terminate the Plan; provided, however, that except as provided in Section 15, no such amendment, suspension, or termination will adversely affect your rights hereunder.

f. The Plan will not be deemed to constitute, and will not be construed by you to constitute, part of the terms and conditions of employment. Neither the Company nor your local employer will incur any liability of any kind to you as a result of any change or amendment, or any cancellation, of the Plan at any time.

g. Participation in the Plan will not be deemed to constitute, and will not be deemed by you to constitute, an employment or labor relationship of any kind with the Company.

18. Limitations. Nothing in this Agreement or the Plan gives you any right to continue in the employ of the Company or any of its Affiliates or to interfere in any way with the right of the Company or any Affiliate to terminate your employment at any time. Payment of your Growth Plan Units or Actual Award is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of this Agreement. You have no rights as a shareowner of the Company unless and until Shares are actually delivered to you.

19. Agreement Changes. The Company reserves the right to change the terms of this Agreement and the Plan without your consent to the extent necessary or desirable to comply with the requirements of Code section 409A, the Treasury regulations and other guidance thereunder.

20. **Incorporation of Other Agreements.** This Agreement and the Plan constitute the entire understanding between you and the Company regarding the Growth Plan Units. This Agreement supersedes any prior agreements, commitments or negotiations concerning the Growth Plan Units.

21. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of the Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

22. **Governing Law.** The Plan, this Agreement, and all determinations made and actions taken under the Plan or this Agreement shall be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable federal law.

23. **Acknowledgements.** By accepting this Agreement, you agree to the following: (i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Agreement, the Plan, the Plan's prospectus and all accompanying documentation; and (ii) you understand and agree that this Agreement and the Plan constitute the entire understanding between you and the Company regarding the Growth Plan Units, and that any prior agreements, commitments or negotiations concerning the Growth Plan Units are replaced and superseded.

24. **Award Acceptance.** To retain this Award, you must accept it by signing the Agreement below and, by signing this Agreement, you will be deemed to consent to the application of the terms and conditions set forth in this Agreement and the Plan. If you do not wish to accept this Award, you must contact Honeywell International Inc., Executive Compensation/AB-1D, 101 Columbia Road, Morristown, New Jersey 07962 in writing within thirty (30) days of the Award Date.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by the facsimile signature of its Chairman of the Board and Chief Executive Officer as of the Award Date.

HONEYWELL INTERNATIONAL INC.

By: /s/ David M. Cote

Chairman of the Board and Chief Executive Officer

Employee's signature

EXHIBIT 12

HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	2011	2010	2009	2008	2007
Determination of Earnings:					
Income before taxes	$ 2,282	$ 2,722	$ 1,964	$ 584	$ 3,487
Add (Deduct):					
Amortization of capitalized interest	20	21	21	22	22
Fixed charges	432	451	539	542	542
Equity income, net of distributions	(51)	(28)	(26)	(63)	(10)
Total earnings, as defined	$ 2,683	$ 3,166	$ 2,498	$ 1,085	$ 4,041
Fixed Charges:					
Rents[a]	$ 56	$ 65	$ 81	$ 86	$ 87
Interest and other financial charges	376	386	458	456	455
	432	451	539	542	542
Capitalized interest	13	16	15	26	22
Total fixed charges	$ 445	$ 467	$ 554	$ 568	$ 564
Ratio of Earnings to Fixed Charges	**6.03**	**6.78**	**4.51**	**1.91**	**7.16**

(a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

EXHIBIT 21

HONEYWELL INTERNATIONAL INC.
SUBSIDIARIES OF THE REGISTRANT

Name	Country or State of Incorporation	Percent Ownership
ADI-Gardiner Holding Ltd.	United Kingdom	100%
AlliedSignal Aerospace Service Corporation	Delaware	100%
EMS Aviation, Inc.	New Jersey	100%
Grimes Aerospace Company	Delaware	100%
Hand Held Products, Inc	Delaware	100%
Honeywell (China) Co., Ltd.	China	100%
Honeywell Aerospace GmbH	Germany	100%
Honeywell ASCa Inc.	Canada	100%
Honeywell Automation India Limited	India	81%
Honeywell Automotive Parts Services (Shanghai) Co., Ltd.	China	100%
Honeywell Avionics Systems Limited	United Kingdom	100%
Honeywell Co., Ltd.	Korea	100%
Honeywell Control Systems Limited	United Kingdom	100%
Honeywell Deutschland GmbH	Germany	100%
Honeywell Electronic Materials, Inc.	Washington	100%
Honeywell Europe NV	Belgium	100%
Honeywell Finance LP	Delaware	100%
Honeywell Garrett S.A.	France	100%
Honeywell Holdings Pty. Ltd.	Australia	100%
Honeywell International SarL	Switzerland	100%
Honeywell Japan Inc.	Japan	100%
Honeywell Korea, Ltd.	Korea	100%
Honeywell Limited Honeywell Limitee	Canada	100%
Honeywell Luxembourg Holding S.a.r.l.	Luxembourg	100%
Honeywell Pte. Ltd.	Singapore	100%
Honeywell Specialty Chemicals Seelze GmbH	Germany	100%
Honeywell spol. sr.o.	Czech Republic	100%
Honeywell Technologies Sarl	Switzerland	100%
Honeywell Technology Solutions Inc.	Delaware	100%
Honeywell Technology Solutions Lab Pvt. Ltd.	India	100%
Honeywell UK Limited	United Kingdom	100%
Life Safety Distribution AG	Switzerland	100%
LXE Inc.	Georgia	100%
Maxon Corporation	Indiana	100%
Metrologic Instruments Inc.	New Jersey	100%
Norcross Safety Products L.L.C.	Delaware	100%
Novar ED&S Limited	United Kingdom	100%
Sperian Protection Americas Inc.	Delaware	100%
Sperian Protection Europe SAS	France	100%
UOP LLC	Delaware	100%

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S 3 (No.033-55425, 333-22355, 333-101455 and 333-165036), Form S-8 (No. 033-51455, 033-58347, 333-57515, 333-57517, 333-57519, 333-83511, 333-49280, 333-57868, 333-105065, 333-108461, 333-136083, 333-136086, 333-146932, 333-148995, and 333-175260) and Form S-4 (No. 333-82049) of Honeywell International Inc. of our report dated February 17, 2012 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10 K.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 17, 2012

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2011,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith, granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Kevin Burke
Kevin Burke, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director
Dated: December 9, 2011

/s/ Judd Gregg
Judd Gregg, Director

/s/ Clive R. Hollick
Clive R. Hollick, Director

/s/ George Paz
George Paz, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

POWER OF ATTORNEY

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I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures *thereto and hereto were upon the same instrument.*

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Kevin Burke
Kevin Burke, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director
Dated: December 9, 2011

/s/ Judd Gregg
Judd Gregg, Director

/s/ Clive R. Hollick
Clive R. Hollick, Director

/s/ George Paz
George Paz, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

POWER OF ATTORNEY

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(i) shares of the Company's common stock, par value, $1.00 per share, including shares of common stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any successor or new plan for such purposes;

(ii) shares of the Company's preferred stock, without par value;

(iii) debt securities of the Company, with such terms as may be from time to time specified in such registration statement or any amendment, post-effective amendment or supplement thereto; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or any other person or entity, as may be specified in any such registration statement, amendment or supplement thereto, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

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/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Kevin Burke
Kevin Burke, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director
Dated: December 9, 2011

/s/ Judd Gregg
Judd Gregg, Director

/s/ Clive R. Hollick
Clive R. Hollick, Director

/s/ George Paz
George Paz, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2011,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ David M. Cote
David M. Cote

Dated: December 9, 2011

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements on Form S-8 or any other appropriate form, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment or supplement thereto or to any registration statement heretofore filed by the Company on Form S-8 or any other appropriate form for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered pursuant to the Honeywell Savings and Ownership Plan, the Honeywell Puerto Rico Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2007 Honeywell Global Employee Stock Plan (including any and all sub-plans), or the 2011 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, and any plan which is a successor to such plans or is a validly authorized new plan pursuant to which securities of the Company are issued to employees.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

/s/ David M. Cote
David M. Cote

Dated: December 9, 2011

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Katherine L. Adams, David J. Anderson, Kathleen A. Winters, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements on Form S-3 or S-4 or any other appropriate form, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment or supplement thereto or to any registration statement heretofore filed by the Company for the registration of sales or resales of:

(i) shares of the Company's common stock, par value, $1.00 per share, including shares of common stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any successor or new plan for such purposes;

(ii) shares of the Company's preferred stock, without par value;

(iii) debt securities of the Company, with such terms as may be from time to time specified in such registration statement or any amendment, post-effective amendment or supplement thereto; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or any other person or entity, as may be specified in any such registration statement, amendment or supplement thereto, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to the extent that they confer authority to sign the above-described documents.

/s/ David M. Cote
David M. Cote

Dated: December 9, 2011

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Cote, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Honeywell International Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2012

By: /s/ David M. Cote
David M. Cote
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Anderson, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2012

By: /s/ David J. Anderson
David J. Anderson
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the period ending December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Cote
David M. Cote
Chief Executive Officer
February 17, 2012

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the period ending December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Anderson
David J. Anderson
Chief Financial Officer
February 17, 2012